Annual Report 0304

CCC

Canadian Commercial Corporation
Corporation Commerciale Canadienne

International Trade

We help,
negotiate,
respond,
accompany,
assist,
provide,
manage,
interact,
facilitate,
exchange,
win,
coordinate,
learn,
talk,
solve,
listen,
promote.

105-00161/

“We listen. We respond.”

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Highlights 0304

Value of new export orders signed

$1.144 billion

Percentage of clients that are SMEs

84%

Number of Canadian companies accessing CCC services

3,702

Sales to 24 other countries

$226 million

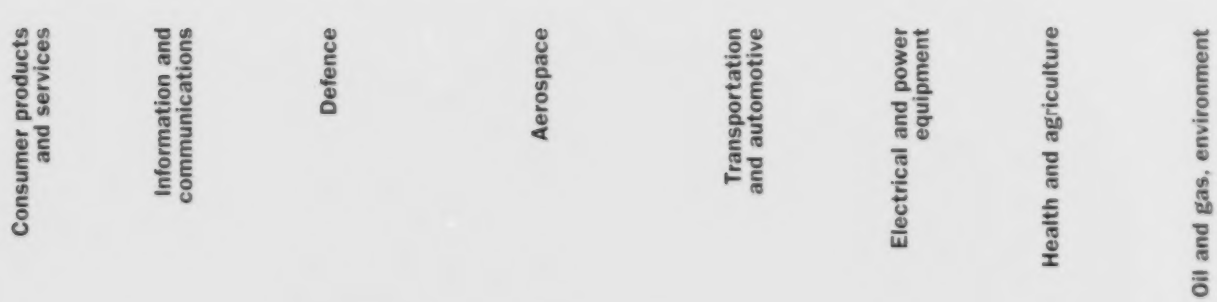
Fees for service and related income

$10.3 million

Gross revenues from commercial trading transactions*

$1.121 billion

SECTOR BREAKDOWN



Highlights 0304

Value of new export orders signed
$1.144 billion

Percentage of clients that are SMEs
84%

Number of Canadian companies accessing CCC services
3,702

Number of exporters contracting through CCC
194

Sales to 24 other countries
$226 million

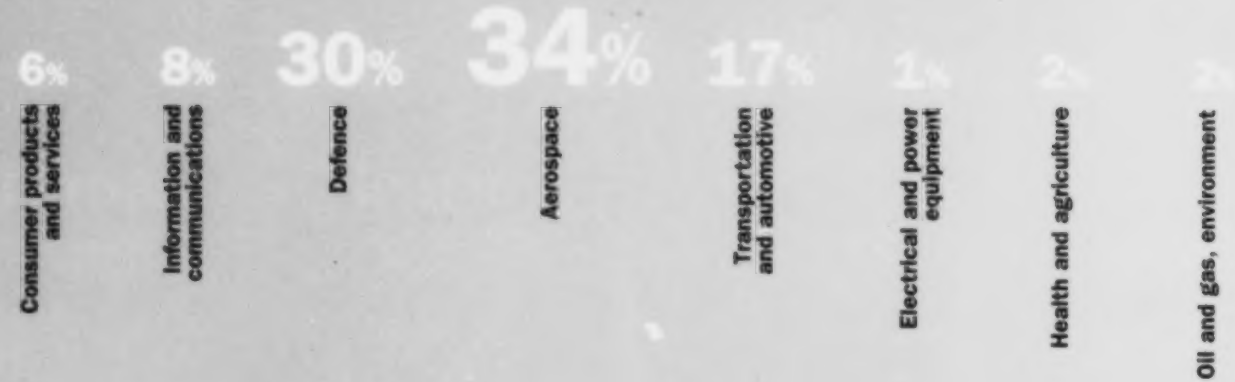
Parliamentary appropriation
$16.3 million

Fees for service and related income
$10.3 million

Gross revenues from commercial trading transactions*
$1.121 billion

Sales to U.S.
$918 million

SECTOR BREAKDOWN



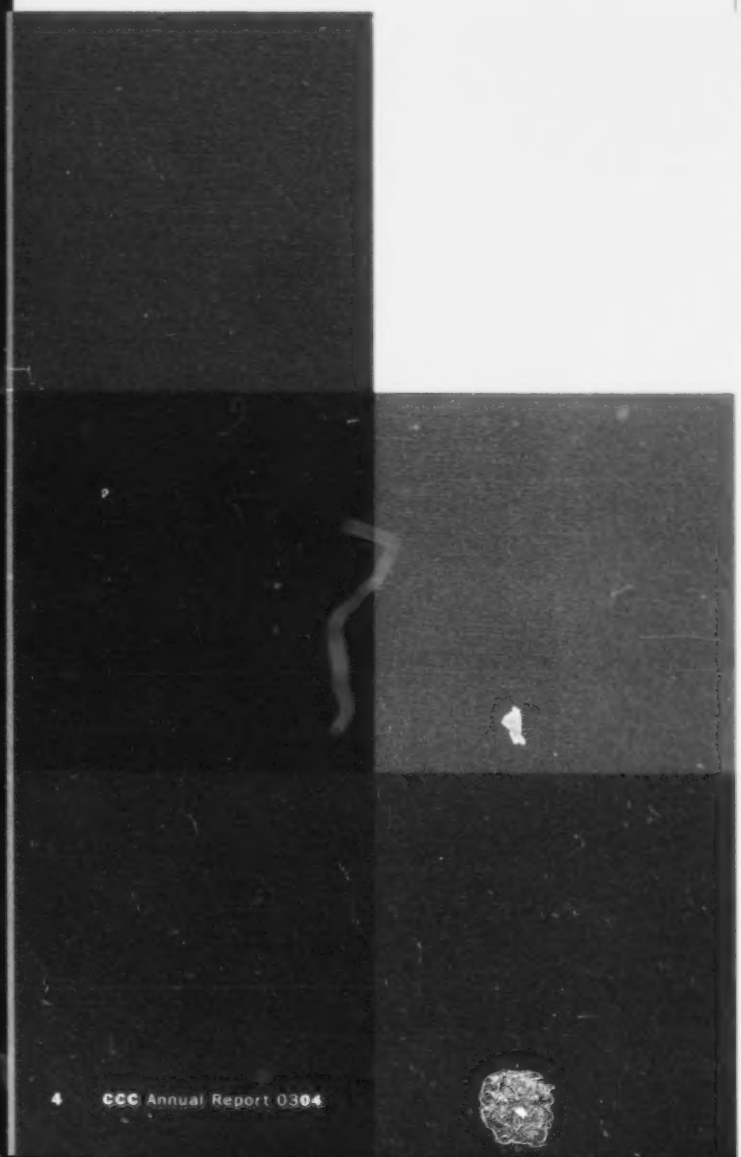
*Includes revenue from current and previous years' contracts

“We achieve.

Who We Are

For Canadian exporters, CCC is a partner who helps open the door to international markets and win export sales. Since 1946, we have served thousands of companies in all regions of Canada, helping them capture over $30 billion in export business.

Our principal business is to act as a prime contractor, signing contracts with foreign buyers for goods and services from Canadian companies. When we are involved in a deal, the foreign buyer gets a unique and powerful government-backed guarantee of contract performance, while the Canadian exporter gains the confidence and credibility that comes from having the Government of Canada at the table.



As a Crown corporation reporting to Parliament, CCC has a mandate to facilitate international trade. We collaborate with numerous federal institutions and other levels of government and private sector stakeholders to support Canada's export businesses.

Selling through CCC gives Canadian exporters access to public procurement markets around the world. The largest of these opportunities is the United States, where for years CCC has been helping Canadian businesses win export sales in the aerospace and defence markets. CCC also supports Canadian exporters interested in selling to U.S. government departments and agencies.

Over 80% of CCC's clients are small- and medium-sized companies. These smaller, growing businesses count on CCC for assistance when trying to break into world markets or wanting to expand their existing presence. CCC also works with Canadian companies to help them win their share of large-scale international projects.

For buyers around the world, CCC offers the opportunity to purchase the best that Canada can offer.

Headquartered in Ottawa, CCC maintains liaison offices in major centres across Canada in cooperation with provincial trade authorities.

MANDATE

The *Canadian Commercial Corporation Act* describes CCC's legislated mandate to assist in the development of trade between Canada and other nations. The Act provides CCC with a broad range of powers including, specifically, "exporting goods and commodities from Canada either as principal or as agent, in such manner and to such extent as it deems advisable."

MISSION

CCC's mission is to serve as an effective Canadian trade instrument, bringing international buyers and Canadian sellers together and closing successful export contracts on the best possible terms and conditions.

SERVICES

CCC's services are designed to meet the demands of Canadian exporters who are looking to improve their chances of success in an increasingly competitive international marketplace. CCC offers solutions for Canadian exporters to access foreign government procurement markets and offshore private sector buyers.

When a government-to-government arrangement is the added value that will close the export deal for a Canadian exporter, CCC's **International Prime Contractor Service** can be the perfect solution. When CCC acts as Prime Contractor, buyers are provided a government-backed guarantee of contract performance and exporters receive assistance with the sales process – in reviewing complex elements of a proposal, in contract negotiations, and in managing even the most complex international contract. This service is also offered in an unbundled manner as **Project Promotion Services, Contract Advisory Services** and **Contract Management Services**. With this option, exporters can create a customized package of services to meet their specific needs.

Exporters often require access to working capital to produce and deliver on a contract. **The Progress Payment Program** (PPP) facilitates this access to commercial sources of pre-shipment financing. CCC's involvement helps an exporter's financial institution provide funds for a specific export project that may be beyond the exporter's regular line of credit.

CCC provides unique access to **U.S. Defence and Aerospace Markets** as the Canadian manager of the Defense Production Sharing Arrangement (DPSA). The procurement regulations of the U.S. Department of Defense require all purchases from Canada over US$100,000 be undertaken through CCC.

CCC's **General Services Administration (GSA) Schedules Program** helps Canadian exporters sell to civilian agencies as well as to state and local governments in the United States. CCC's detailed understanding of the complex GSA bidding and contract process can put Canadian exporters on an equal footing with American business vying for opportunities in these markets.

CCC's partnership with Industry Canada in **SourceCAN** helps Canadian exporters identify business leads with governments in the United States and other markets. CCC matches thousands of global business opportunities to Canadian companies and their products and services, and electronically delivers these business leads daily to SourceCAN registrants. For their part, buyers can use SourceCAN to publicize their procurement requirements to Canadian companies.

In the role of **Procurement Agent**, CCC helps foreign buyers access high-quality Canadian goods and services by undertaking the contracting process and managing the purchasing cycle.

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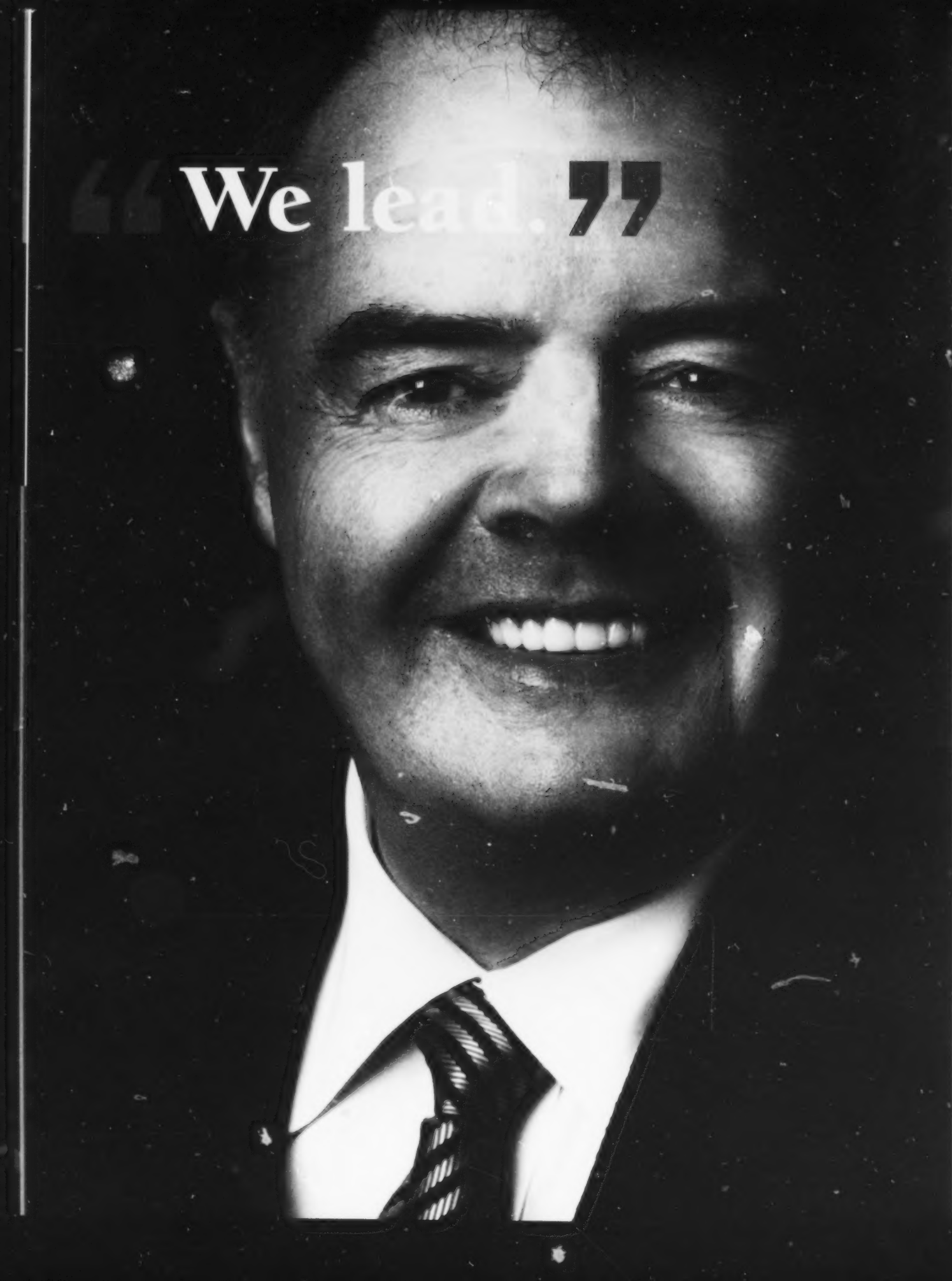

"We lead."

Chairperson's Message

It has been an exciting and truly rewarding year. I am proud of the accomplishments CCC has realized – exceeding its performance objectives in business volume, commercial revenues generated and in awareness among Canadian exporters. All indicators show that we are on track to successfully fulfill our mandate.

2003-2004 marked my first complete year as Chairperson of the Board of CCC. I had the opportunity to learn about all aspects of CCC's environment, from its operations and strategies for managing risk, to its relationships with stakeholders and management approaches. It was also a year of evolution for the Board as a whole: it adjusted to operating with a Chairperson who is independent from management; the composition of the Board changed; and several new members were added, bringing a wide and valuable diversity of business and bureaucratic experiences and expertise to the table. The Board devoted significant time to learning how to function as a cohesive, effective body and with the executive team.

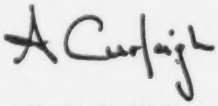
To achieve continued success, sound governance practices and mechanisms must be observed and the Board is constantly engaged in discussion on ways and means to become better in this regard. Last year we proceeded with a review of the Corporation's by-laws and Board practices. The Audit Committee's work and recommendations as they relate to financial performance and management contributed substantially to the Board's ability to reach sound decisions and provide direction. The investment in governance is a reflection of the Board's commitment to CCC's commercial mandate and its strong determination to see the Corporation succeed. It strengthens the Board and the guidance it provides to management.

Last year I sought to establish a more effective connection between the Board and the Minister of International Trade in order to facilitate the exchange of ideas and information on CCC's activities and to offer our contributions as a key instrument of the Government of Canada's trade policy. It is my intention to extend this dialogue in the coming year to more deeply engage other stakeholders, including parliamentarians, Treasury Board, Finance and other Crown corporations. I want the Board to be seen as the vanguard pushing CCC to accomplish more. By all accounts, we are on the right track.

On behalf of the Board, I would like to thank Douglas Patriquin for his service to Canada's export community. I have appreciated the opportunity to work along side Doug during his final year as President. His deep understanding of the trade business and his enthusiasm for the work CCC performs greatly impressed me. He worked to create an organization that provides real value to its clients around the world, and I believe his accomplishments in that regard speak for themselves.

I would also like to extend thanks to John Banigan, Marie-Lucie Morin and Wendy Morris for their service on the CCC Board of Directors.

Finally, I offer my compliments to all CCC employees who, year after year, diligently and creatively work for the benefit of Canada's export community.



Alan R. Curleigh

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President's Message

In 2003-2004, we continued to take steps forward in fulfilling the key objectives we established in our Corporate Plan – progress towards financial self-sufficiency and a more diversified export portfolio. This is my first annual report as President of the Canadian Commercial Corporation and I am pleased to report positive results for our efforts.

GROWING OUR BUSINESS RESPONSIBLY

Despite tight operating cost control, a net loss for the year was recorded. This was caused by foreign exchange losses attributable to a fast rising Canadian dollar and a higher than usual provisioning for future additional contract costs or losses.

> "During the coming years, CCC will continue to encourage and facilitate dialogue on social, environmental and ethical matters, including the important issues relating to transparency in international contract dealings."

However, for the second year in a row, CCC managed to generate more revenues than expenses for activities not related to the Canada-U.S. Defense Production Sharing Arrangement (DPSA). This means we are well positioned to achieve the goal we have set in our Corporate Plan of sustained self-sufficiency for business outside DPSA by 2006-2007.

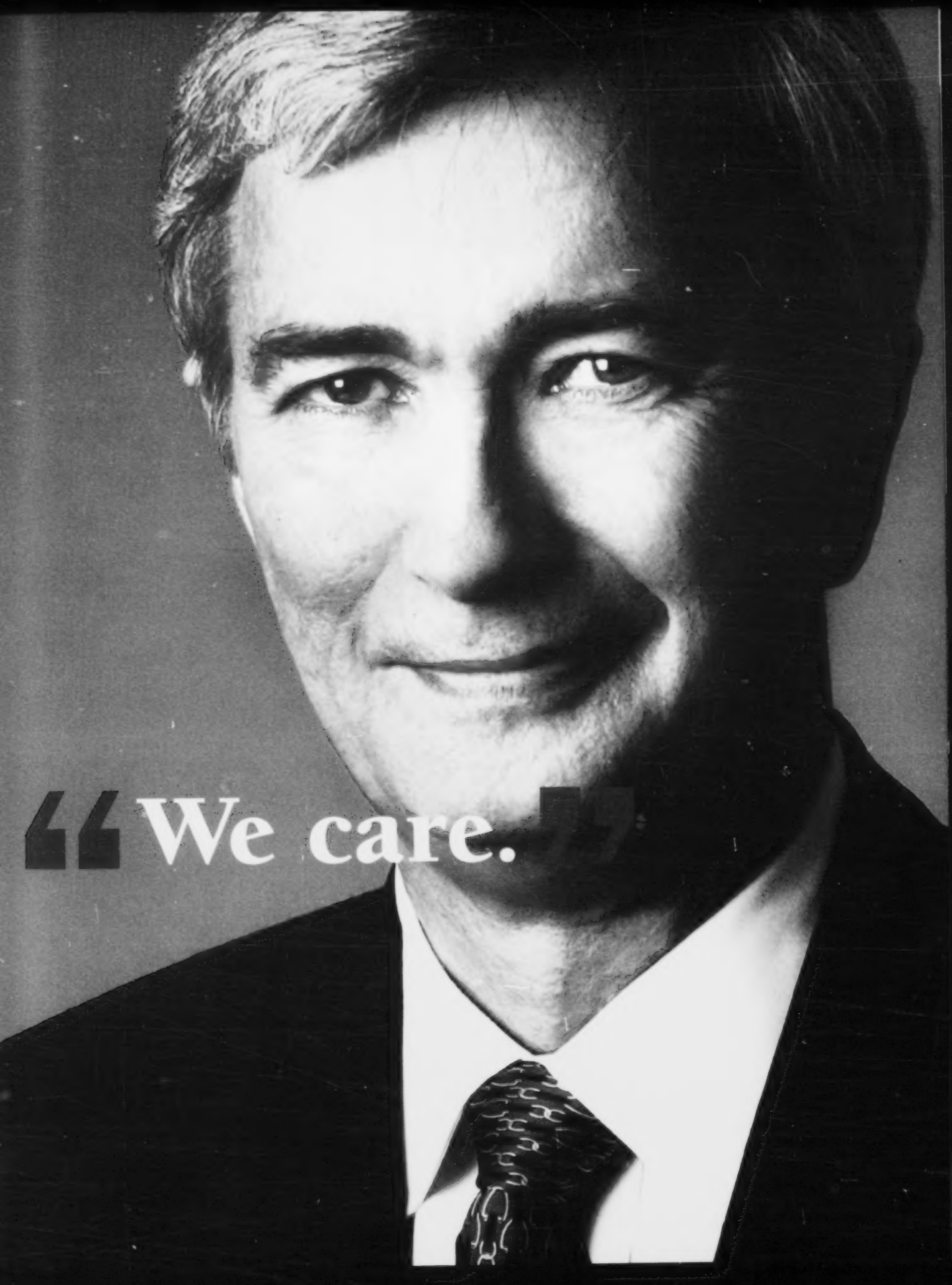
CCC signed contracts for export business totaling $1.144 billion in 2003-2004. We met or exceeded virtually all of our key business objectives. With the emphasis on security and defence in the United States, the year was extremely positive for Canadian exporters contracting under the DPSA. Business volume of almost $800 million, out of a total of $918 million in the U.S., reached the highest level ever recorded for the program. But this outstanding performance under DPSA impacted on our progress regarding portfolio diversification. Improved market opportunities and better results in markets other than the U.S. should help us achieve a more diversified export portfolio next year.

A key objective for CCC is to increase its level of awareness with Canadian exporters. During the year, the number of clients accessing CCC services increased by a remarkable 88%. This reflected a large increase in the use of the Corporation's electronic bid matching service, through which procurement opportunities from governments and organizations around the world are matched against companies' capabilities, providing them with real-time market intelligence regarding potential export opportunities. Our client community is not only becoming more familiar with the services we offer, but Canadian exporters are telling us they greatly appreciate the value we offer.

CAPACITY TO DELIVER RESULTS

Internally, during the year, we completed the implementation of a new information management platform to support enhanced performance measurement tools, allow for "just in time" business and financial tracking, and provide enhanced customer relationship management capabilities. The successful conclusion of this project, which was initiated almost two years ago, provides us with the "next generation" infrastructure needed to significantly enhance service delivery capabilities to both our internal and external clientele.

CCC has recognized that continuous learning is fundamental to its ongoing success. Last year, we invested heavily in training to sharpen our employees' financial and project management skills, develop greater capabilities in risk assessment analysis, and strengthen their ability to manage, negotiate and communicate with our stakeholders. Through exposure to continuous learning opportunities, we are ensuring that our people have the necessary skills to maintain our high standards of service.


"We care."

LOOKING AHEAD

CCC continues to work closely with government officials to support trade policy initiatives. We are well positioned to strengthen the relationship between Canada and the U.S. by further developing defence industry linkages with our neighbours to the south, opening up new opportunities for security cooperation and expanding general government procurement opportunities for Canadian businesses. CCC can also play an important role in efforts directed at smaller, emerging economies where government-to-government commercial arrangements offer greater attraction for the buyer than in larger economies.

CCC has the experience and the know-how. It can facilitate a transparent procurement process, filling important roles like selecting the administrator for the Canada Investment Fund for Africa, or procuring critical pharmaceuticals for Zambia. The Corporation has also been working with government officials to analyze and assess new technologies for commercialization. CCC's government-backed performance guarantee for technology companies involved in export contracts enhances their competitiveness and provides a valuable means for helping commercialize new technologies.

There are many untapped opportunities for CCC to deliver significant value to Canadian exporters in this commercial world. I believe that a much larger portion of the US$5.5 trillion international public procurement market should be available to Canadian suppliers of advanced management, technology and systems. Capital projects such as airports and social infrastructure, where Canada's reputation is excellent, should also have greater Canadian input. In the coming year, under the Board's direction, CCC will investigate the most appropriate means – including an evaluation of its own capabilities and requirements – to offer new commercial services. Our objective will be to help Canadian exporters take a more active and rewarding role in these types of opportunities.

In our efforts to meet the commercial challenges and opportunities of the international procurement marketplace, we must be ever mindful of a requirement to undertake our business in a responsible and transparent manner. During the coming years, CCC will continue to encourage and facilitate dialogue on social, environmental and ethical matters, including the important issues relating to transparency in international contract dealings.

In closing, I would like to express my appreciation for the dedication and hard work of the entire CCC staff who helped to make this a successful year. I would also like to acknowledge the contributions of Doug Patriquin, who preceded me as CCC's President. Doug set a formidable standard for achievement. In his 10 years with the Corporation, Doug provided insightful and strategic guidance, endearing and responsive leadership, and a steadfast determination to make CCC a more valuable resource to Canadian exporters. On behalf of all of us at CCC, we extend our many thanks and best wishes for him in the future.

J. Hugh O'Donnell

Past President's Message

Delivering a real benefit to Canada's exporters and their customers isn't a complicated idea. Success occurs when the objective is turned into reality. Over the last decade, CCC has signed and managed more than $10 billion worth of export contracts.

CCC is a place where people are passionate about the service they perform. In 10 years at CCC, I have seen the Corporation bring hundreds of Canadian companies, both large and small, into thousands of successful export contracts with international customers. These involved extraordinary Canadian technologies and know-how, from Light Armoured Vehicles, which have created a revolution in military technology, to Canada's finest pipe organs, installed in churches and concert halls around the world.

As noted by the Chair, Alan Curleigh, CCC has evolved as an organization. It has strengthened its formal governance structures and received consistently high client survey ratings. The Corporation has played a positive and important role in supporting North American defence and security preparation. At the same time, it has been engaged in putting together increasingly sophisticated commercial transactions, to meet the changing needs of exporters and evolving procurement markets.

Through all of this, I have been impressed with the Corporation's responsive, innovative and practical service. I would like to thank my colleagues, and all those who have worked with CCC, for their support of this unique Canadian institution. I take with me many fond memories and will cherish the friendships that were forged for years to come.

Douglas Patriquin

HELPING COMPANIES TO GROW

Selling through CCC has been a huge benefit for Anachemia Canada Inc., a Montreal-based chemical and laboratory supply company. In fact, Anachemia's partnership with CCC shows that sometimes you can't get enough of a good thing.

Access to the U.S. military market through CCC comes from a special agreement between Canada and the U.S. With CCC's support, Anachemia has supplied the U.S. military since 1984 and more business is on the way, with two basic ordering agreements in place for chemical agent detectors and training kits for the military.

CCC's ability to sign contracts with foreign governments has allowed Anachemia to sell to Norway, the Netherlands, United Kingdom, Austria and Australia, as well as Denmark, Switzerland and Germany. Altogether, Anachemia has approximately $59 million in exports through CCC.

For smaller, growing companies, exporting and procurement rules and regulations can be a maze to negotiate, whether it's dealing with export permits and import duties, or country-specific licensing requirements. With CCC involved, Anachemia has been able to keep its focus on R&D and marketing. CCC will be there to help facilitate future sales by making sure the company has solid contracts on which to grow its business.

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Corporate Performance Against Objectives

THE RATIONALE FOR SETTING PERFORMANCE OBJECTIVES

CCC sets performance objectives to measure its progress in implementing key strategies outlined in its five-year Corporate Plan.

Performance measures and targets, both operational and financial, are designed to help management and staff, the Board of Directors and government officials with oversight responsibilities, to monitor and track the performance of the Corporation relative to the strategic directions laid out in the Corporate Plan.

In the 2003 Corporate Plan, CCC's three strategic directions were to:

1. **Achieve a diversified export contract portfolio;**
2. **Sharpen the commercial focus; and**
3. **Enhance the corporate profile and increase exporter and government decision-maker awareness.**

In its 2003-2004 Corporate Plan, CCC categorized its performance objectives as either primary or secondary in nature. Primary measures are linked to the Corporation's parliamentary mandate, and therefore their importance is appropriately measured by an annual comparison of targeted versus actual results. Secondary performance measures show how successful internal service units are performing in supporting groups directly responsible for meeting the primary objectives. The distinction between the primary and secondary objectives also lies in their evaluation, for secondary measures are often viewed as evolutionary in nature, reflecting goals designed to be achieved over a number of years.

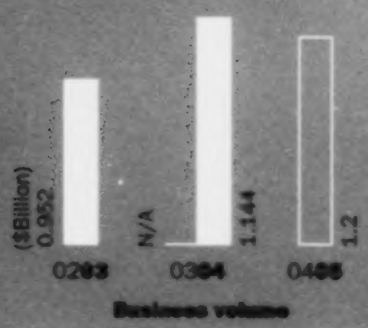
PRIMARY PERFORMANCE OBJECTIVES

CCC's primary performance measures indicate how effective it has been in the new direction provided by the Government in 2002, notably to achieve self-sufficiency outside the Defense Production Sharing Arrangement (DPSA) and to diversify its export contract portfolio.

OBJECTIVE 1: ACHIEVE A DIVERSIFIED EXPORT CONTRACT PORTFOLIO

Performance measure ■ Results ▭ Target

2003-2004 was an excellent year with respect to CCC's performance objectives for directly facilitated and indirectly facilitated exports. "Value of orders received" and "business volume" are terms sometimes used interchangeably to reflect the total value of contracts and amendments (not commercial trading transactions or billings) signed during the year. "Directly facilitated exports" are the value of effective contracts and amendments signed by CCC through its Prime Contractor and Progress Payment Program services. It is different from business volume as it excludes contracts with suppliers outside of Canada.



Determining the value of indirectly facilitated exports is an attempt to quantify the impact CCC has had with services other than its prime contractor offering. These are services where CCC has provided the business opportunity or has undertaken project promotion or offered contract advisory services – the client did not require CCC to act as prime contractor to win these sales. Definitively quantifying the full value of sales made with indirect CCC support is difficult since CCC is not always apprised of program values or the success of ventures, particularly if they are part of multi-staged programs. Despite these difficulties, CCC identified approximately $167 million in business volume related to indirectly facilitated exports. Conceivably, the number could be much larger, however, this remains a formidable accomplishment in itself during the 2003-2004 export year.

Attaining $1.143 billion in directly facilitated exports and eclipsing the performance target of $1.056 billion is a remarkable achievement in a year characterized by a much higher-valued Canadian dollar and a marked decline in the value of all Canadian exports traded. The soaring Canadian dollar significantly reduced the value of contracts signed in U.S. dollars and affected currency-converted

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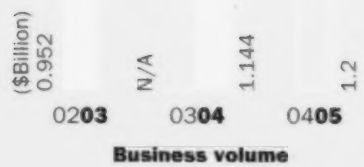

Business volume

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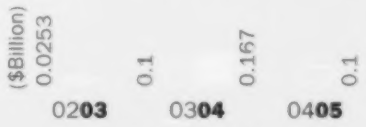

Indirectly facilitated exports

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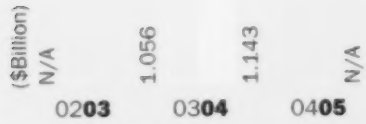
payments. The impact of this was significant as a large percentage of CCC's contracts are denominated in U.S. dollars. Business volume from these contracts would have been many millions of dollars higher than that shown in this year's performance measures had exchange rates remained comparable to the previous year.



Directly facilitated exports

The strong demand by the U.S. government for security and defence related products and services contributed to very high exports to that country. In fact, the percentage growth in U.S. exports was much greater than the growth in exports to other countries. As a result, the Corporation experienced a higher than targeted diversity measure (36 percent) for its non-aerospace and defence measure and a lower than targeted result for percentage of exports to countries other than the U.S. (20 percent). CCC views the diversification objective to be a challenging one in the current economic climate and is hoping to continue to capitalize on U.S. demand while developing other markets more aggressively to meet the target for this diversity metric next year. CCC's pipeline for future business is healthy and shows a far greater degree of sector and country variety in the opportunities being pursued with our exporters. Although we signed contracts in 25 countries last year, compared to 31 in 2002-2003, we were pursuing opportunities in 54 other countries.

Non-aerospace and defence business volume as a percentage of directly facilitated exports

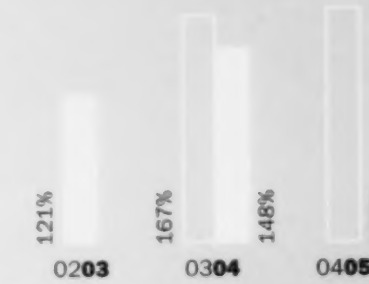
Percentage of directly facilitated exports from countries other than U.S.

OBJECTIVE 2: SHARPEN THE COMMERCIAL FOCUS

Performance measure Results Target

The Corporation missed its performance target ratio of non-DPSA revenues to direct non-DPSA costs this year. This was principally due to additional contract costs associated with a charge in the year for a SME facilitated non-DPSA transaction. However, the Corporation bettered last year's results, indicating that it has significantly improved its revenue to direct cost performance and overall efficiency. This achievement gives the Corporation confidence that it can continue this upward trend to reach even higher levels of cost efficiency without compromising the quality of service our clients have come to expect.

Following completion of last year's annual report, it was subsequently determined that the index of revenues to total non-DPSA costs – a measure of profitability outside the DPSA – was 105 percent. This meant that the Corporation had met the government's mandate of commercial self-sufficiency outside DPSA four years earlier than planned. The Corporation has matched this same result this year. Clearly, based on this two-year trend, achieving the longer-term objective of economic self-sufficiency is attainable and CCC may now be on a road to sustained profitability outside of the government mandated and funded DPSA service.



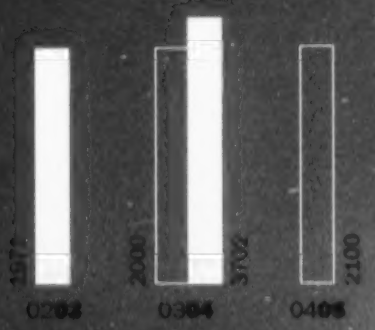
Revenues (other than from Parliament) as a percentage of direct non-DPSA costs

Revenues (other than from Parliament) as a percentage of total non-DPSA costs (including allocated overheads)

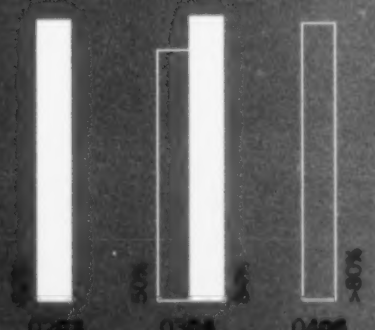
CCC's performance objectives in this area are related to two key indicators – companies using CCC services, and the proportion of clients that are small- and medium-sized enterprises.

With respect to the number of clients using CCC services, data is derived from a number of sources, including internal customer relationship management systems and SourceCAN, a collaborative service offering with Industry Canada. The increasing popularity of SourceCAN as a source of business leads has been a major factor in the 88 percent increase in the number of clients served by CCC this past year. CCC had earlier forecast a conservative growth outlook for the exporter sector in 2004 and targeted a 10-percent growth rate (to 2100) in customers accessing services next year. The actual results for this year suggest that the Corporation will need to revisit its forecast for 2004-2005, possibly setting a new goal that would eclipse a level of 4000 clients served.

In setting a target in the 2003-2004 Corporate Plan for SMEs to represent 50 percent of its customers, the Corporation was of the view that its business development efforts in that year could be directed to more established, larger project exporters actively involved in non-U.S. based projects. This strategy related to the need to diversify its export portfolio and to increase revenues to achieve the self-sufficiency objective. Results for the year indicate that overseas projects and those involving larger and experienced companies did not materialize in 2003-2004 given the difficult economic conditions that existed for established exporters. As a result, when the number of clients accessing CCC services was tallied, they were again heavily weighted toward SMEs – 84 percent. The Corporation believes that approximately the same number of SMEs (>80 percent) will be using its services in 2004-2005 even though it continues to look for prospects with larger firms involved in major projects outside the U.S. It is conceivable as well that due to the popularity of SourceCAN, which tends to have a larger percentage of SME users, this ratio could be higher than 80 percent in 2004-2005.



Number of Canadian companies using CCC services



Percentage of Canadian companies using CCC services that are SMEs

SECONDARY PERFORMANCE OBJECTIVES

Secondary performance indictors are not viewed as being any less important to the Corporation, rather they reflect measurement objectives that are likely to take several years to be fulfilled. Performance measures deemed to be secondary in nature include:

- **Improving the internal and external service delivery capacity in the areas of human resources and informatics;**
- **Maintaining or improving specific financial and related operations performance indicators; and**
- **Ensuring that targeted communications activities are met or exceeded and long-term awareness targets remain on-track.**

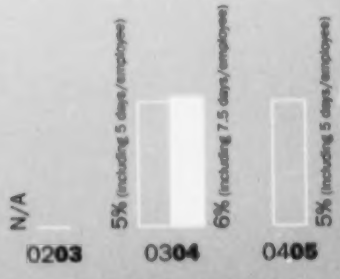
HUMAN RESOURCES

Performance measure Results Target

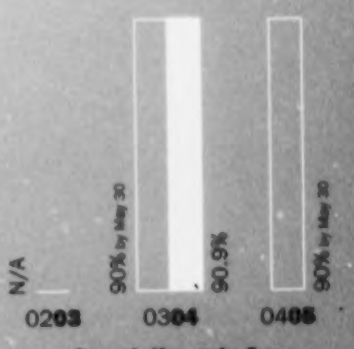
The successful achievement of its strategic business objectives is largely dependent upon CCC's ability to attract, develop, motivate and retain a multi-talented workforce. Exit interviews and other feedback programs have consistently indicated that CCC is a "great place to work." CCC believes that a turnover rate of less than 10 percent, even for a small Corporation where retirements and moves can significantly impact this measure, is a reasonable yet challenging objective for managers to meet. CCC continues to function effectively within that turnover range, with a turnover level of 8 percent achieved in 2003-2004.

"Commitment to learning" and "adaptability" are the overarching competencies at the heart of CCC's human resources strategy. The "5 + 5" approach in which five percent of payroll expenditures are invested in development initiatives, and every employee is expected to devote five days to learning activities is a popular and successful approach used this year for training and development. CCC met this objective for the year, and this target will remain in place for 2004-2005.

Voluntary turnover rate



Percentage of payroll expended on learning



Completion rate for performance evaluations

INFORMATICS

Performance measure Results Target

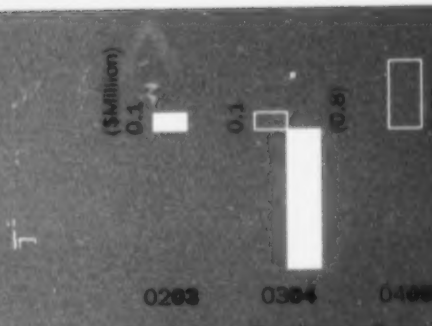
Network services (ex. e-mail, print, shared disk) and Oracle applications available to core users in core business hours (7:30 a.m. to 5 p.m.)

The Informatics Program continues to seek avenues to more effectively support CCC's corporate business objectives. In the past year, the Corporation concentrated on building in-house capacity to manage those activities that are fundamental to achieving the long-term IT strategy. In this regard, it successfully exceeded a critical measure of network service operational availability, outperforming the target to reach 99 percent "up-time" for network services.

FINANCE

Performance measure Results Target

The secondary measures related to the financial operations of the business include a measure of operating results, the speed with which payments are made to exporters, additional contract costs required to meet CCC's guarantee of contract performance when an exporter is unable to complete delivery on a contract, and the provision for doubtful accounts. In almost all of these cases, actual performance closely matched the targeted objectives.



Net results of operations

OBJECTIVE 3: ENHANCE THE CORPORATE PROFILE AND INCREASE AWARENESS

Performance measure ■ Results □ Target

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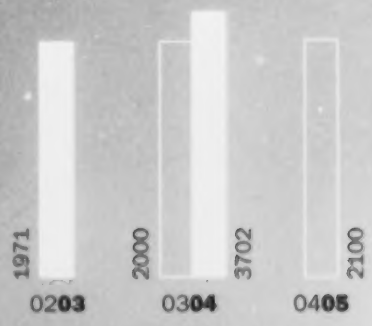
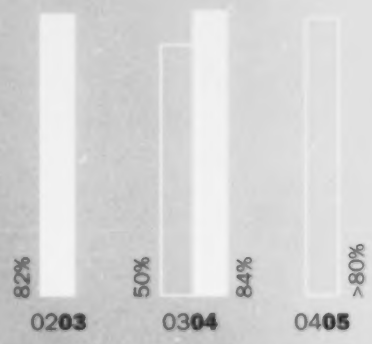


Number of Canadian companies using CCC services



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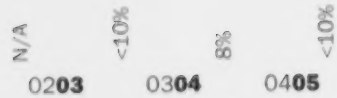

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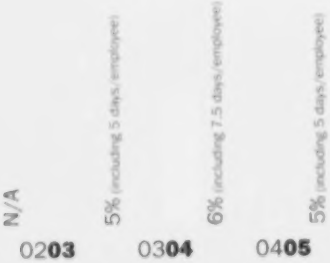

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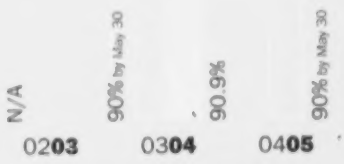

Completion rate for performance evaluations

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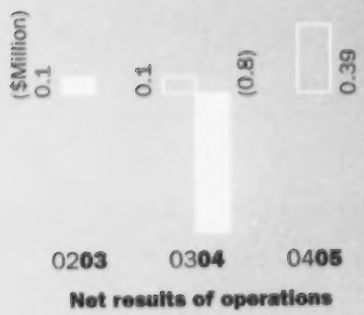
Performance measure Results Target

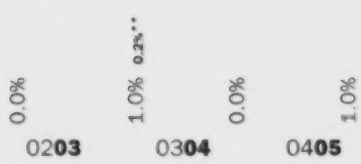


Net results of operations

Net results of operations before parliamentary appropriations compared to directly facilitated exports*

Time required to make payments directly to exporters

Additional contract costs as a percentage of directly facilitated exports*



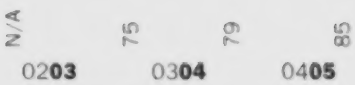
Provision of doubtful accounts when compared to accounts receivable from foreign countries

* Before associated legal and other costs.
** Incorrectly stated in 2002-2003 annual report.
*** Business volume used for calculation instead of directly facilitated exports.

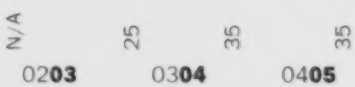
GOVERNMENT RELATIONS

Performance measure Results Target

CCC anticipates improved performance in government relations as the Market Opportunities Development group within CCC implements a recurring series of briefings for critical foreign-service officers. CCC has had considerable success in meeting and briefing Canadian Trade Commissioners and military attachés prior to posting. With the evolution and improvement of the existing briefing process, it is expected that this objective will continue to grow by 15-20 percent annually.

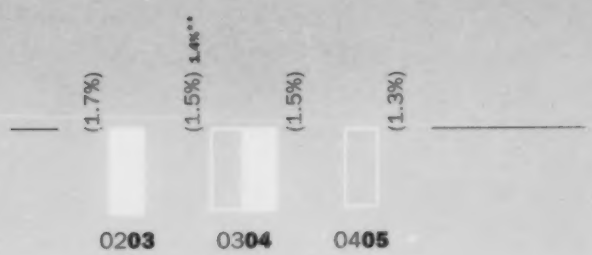


Canadian Trade Commissioners briefed on CCC services

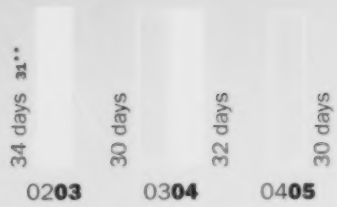


Military attachés briefed on CCC services

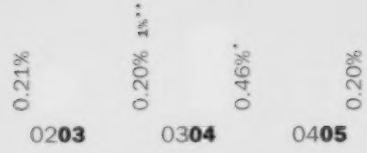
These measures provide an indication of how efficiently CCC is operating. One notable metric relates to the net results of operations in which CCC posted a loss of $800,000 due to additional contract costs associated with a single exporter who was unable to complete delivery on a contract. This is the first loss position of CCC in a number of years, and such a result is not expected in 2004-2005. This additional contract cost also affected the Corporation's continuing objective to keep such losses below a level of 0.2 percent of business volume. The current outlook indicates that objective is still a reasonable one and the Corporation expects to return to that range in 2004-2005.



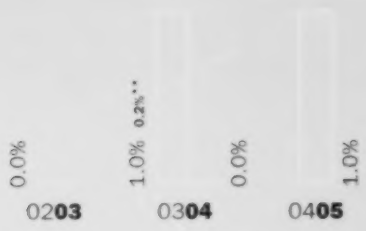
Net results of operations before parliamentary appropriations compared to directly facilitated exports*



Time required to make payments directly to exporters



Additional contract costs as a percentage of directly facilitated exports*



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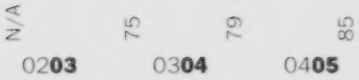

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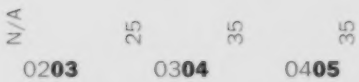
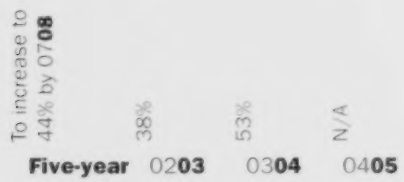


Military attachés briefed on CCC services

EXPORTER AWARENESS

Performance measure Results Target



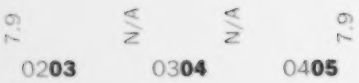
Exporter awareness of CCC

Results of a survey completed in March 2004 indicate that awareness of the Corporation among exporters had increased by 39 percent over 2002-2003 levels. This positive indicator is no doubt attributable to the increased communications activities undertaken by the Corporation in the 2003-2004 period. The success of efforts in this area will likely require the five-year target to be revisited and adjusted.

CLIENT VALUE INDEX

Performance measure Results Target

Since the mid-1990s, CCC has conducted a comprehensive customer survey to determine how clients perceive the services provided to them by CCC. A Client Value Index provides essential feedback to ensure that CCC remains aligned with the evolving needs of its exporter clientele. CCC is continuing to build on the service delivery model that yielded such strong indicator results in 2002-2003. No results were reported for 2003-2004 as CCC determined, for cost reasons and the time required to obtain feedback and implement service improvements, that this annual survey could be conducted every second year.



A measure of how well clients value services received from CCC

FIVE-YEAR HISTORICAL REVIEW OF KEY INDICATORS

Indicator	9900	0001	0102	0203	0304
Business volume	$1.113B	$1.338B	$1.214B	$0.952B	$1.144B
Directly facilitated exports	N/A	N/A	N/A	N/A	$1.143B
Revenues from non-parliamentary sources	$5.995M	$7.798M	$7.911M	$9.458M	$11.922M
Revenues (before parliamentary appropriations) as a percentage of total non-DPSA costs	N/A	N/A	N/A	104%	105%
Net results of operations	$0.2M	$1.8M	$2.5M	$0.1M	($0.8M)
Additional contract costs as a percentage of directly facilitated exports* **	0.3%	0.2%	0.03%	0.21%	0.46%
Provision of doubtful accounts when compared to accounts receivable from foreign countries	0.0%	0.0%	0.0%	0.0%	0.0%
Number of Canadian companies using CCC services	1810	1795	1954	1971	3702
SMEs using CCC services	80%	53%	N/A	82%	84%
Client value index	7.4	7.4	7.8	7.9	N/A

***Business volume used for previous years' calculations.
N/A - Not applicable in that year.

We promote.

Management's Discussion and Analysis

OPERATIONS

The following sections provide management's review of CCC's operations for fiscal 2003-2004, including a description of the external environment in which it operates, the internal environment in which it functions, and the Corporation's financial performance for the period.

OPERATING ENVIRONMENT

CANADIAN ECONOMY

Understanding the domestic economic situation is important for assessing market opportunities and for risk management purposes.

In 2003, Canadian economic conditions and growth were initially forecast to eclipse those of all other G7 countries. However, SARS, mad cow disease, forest fires and the power blackout in eastern Canada all had a downward cascading effect on Canadian economic performance. The rapid strengthening of the Canadian dollar against its U.S. counterpart was also a major factor, notably in the export sector where volumes in the fall of 2003 were six percent lower than in 2002. It is a tribute to the resourcefulness of Canadian exporters that CCC business volumes exceeded last year's totals under such difficult economic conditions.

While Canadian firms are now becoming more competitive as a result of "belt-tightening", the outlook for 2004 is not an optimistic one despite the significant growth expected in the U.S. Canadian business is hoping for a U.S. "pull-through" effect, although experts believe the high-valued Canadian dollar and increased competition from other countries with lower labour costs will continue.

INTERNATIONAL MARKET CONDITIONS

While most sectors of the U.S. economy struggled in 2003-2004, defence and security industries experienced an unprecedented boom. CCC's experience in serving the U.S. Department of Defense (DoD) and its traditional relationships with departments now part of the much larger Department of Homeland Security (DHS) helped Canadian exporters share in the benefits of this growth.

The overall U.S. economy is now poised for high growth, which will hopefully provide greater opportunities for Canadian exporters in the security sector and others. This optimism is tempered by the knowledge that China and Mexico will also be pursuing the growing U.S. market, providing goods with less expensive labour inputs.

Elsewhere in the world, Latin America seems to be emerging from a low-growth period that characterized 2003-2004. Currency fluctuations and relatively high inflation created instability in countries such as Brazil, Chile and Peru, but economists now believe the outlook is much better. As a result, opportunities for Canadian exporters in 2004 and beyond seem to be improving, and CCC will continue its efforts to find more opportunities for Canadian exporters in that region.

In Europe, the outlook is not an optimistic one. Countries have faced a rise in the euro and other currencies relative to the U.S. dollar, as well as high unemployment in many regions. Growth for 2004 is expected to be slightly less than for Canada.

With respect to Asia, 2003-2004 was generally a good year. China and India, the two most populous countries in the world, experienced exceptional growth. CCC has not yet been able to capture significant business volume in China, but in India the outlook for next year looks promising, based on efforts begun in 2003-2004. Japan is beginning to emerge from a long period of virtually no growth. Other countries in the region are benefiting from the China influence and growth will likely continue. CCC found good business prospects in Southeast Asia and Australia during the year, and economic indicators suggest positive conditions will continue next year as well.

GLOBAL PROCUREMENT MARKETS

CCC's primary focus of attention is on the global public procurement market, a multi-trillion dollar annual business. But government procurement opportunities tend to mirror the growth prospects and stability of the concerned country. During 2003-2004, government procurement opportunities were positive in certain regions, but overall, with the exception of the U.S., the year was not a great one for Canadian exporters.

Generally speaking, procurement will only increase if money is seen to be available, especially in developing countries. This may depend in great part on the appetite of international financial institutions (IFIs) to fund major purchases. In some areas such as Eastern Europe, monies were available for infrastructure redevelopment related to requirements of European Union expansion. Similarly, in Asia there was interest in initiatives to improve basic infrastructure and for certain sectors such as environment and health. There was also some interest in Africa, where CCC was involved in health-related initiatives, including the management of a procurement process for Zambia.

The increased use of electronic tendering in many countries is an emerging trend by governments seeking to procure more efficiently and transparently. CCC's support for SourceCAN – an e-marketplace that matches Canadian producers with contracts posted by foreign governments and private corporations – helps exporters find and bid on new opportunities throughout the world, as well as use CCC services.

GOVERNMENTAL COLLABORATION

An important element of CCC's strategy for finding new business throughout the world is familiarizing Canadian government Trade Commissioners with CCC's value and services prior to their posting overseas. Once they arrive in a new post, they are well informed and have been very successful in identifying potential opportunities where Canadian exporters and CCC can work together to win more export contracts. CCC also interacts with other embassy officials and foreign military attachés in Canada and abroad.

E-Business is an important part of CCC's market development process. Lead generation programs such as SourceCAN are helping to identify initial business contacts. In fact, the number of Canadian companies accessing CCC services – a large percentage coming from SourceCAN – reached 3,702 last year, an increase of over 88 percent from the previous year. CCC is there to assist exporters on these bids, for any region in the world.

CCC is a prominent supplier to the U.S. military. With the implementation of business delivery enhancements such as Electronic Data Interchange (EDI) links, CCC now receives and submits contracts electronically. The enhanced speed and access capability means CCC can offer more opportunities to its exporter clientele and process their involvement more quickly and efficiently. Additionally, CCC initiated efforts to work more closely with Public Works and Government Services Canada (PWGSC) and Canada's embassy staff in Washington to develop more complementary business strategies to support CCC.

PROACTIVE SALES EFFORTS

CCC's proactive marketing efforts focus on specific countries and product or service sectors. In this manner, resources are concentrated in areas where specific knowledge can be derived and contacts made to promote multiple opportunities.

In 2003-2004, CCC concentrated on four specific countries, notably the U.S., Ecuador, Brazil and Mexico, and in a secondary manner on the Caribbean, India and Africa. Much of the early-stage business activity was stimulated through CCC's Market Opportunities Development (MOD) group, using contacts arranged by Trade Commissioners, attendance at trade shows, conferences and other foreign initiated events, or as a follow-up to contacts identified by prospective exporter clients.

Project officers in the Operations group also contributed to CCC's market development efforts by encouraging existing, long-standing or repeat supplier clients to pursue other opportunities, or by searching out other business potential in targeted locales. With respect to the U.S. market, project officers made a number of presentations to procurement officials in the U.S. military and DHS. In 2003-2004, a dedicated resource was used to develop additional contacts outside of the traditional military markets, promoting programs and familiarizing exporters and buyers from federal and state jurisdictions with the benefits of CCC's General Services Administration (GSA) Schedules Program. Communication campaigns were implemented to support the efforts of project officers in promoting GSA, Progress Payment Program and DPSA.

TARGETED GEOGRAPHIC MARKETS

THE UNITED STATES

In 2003-2004, CCC signed sales contracts worth $800 million with the U.S. DoD and NASA, a 22 percent increase over the previous year. This value would have been much higher had the Canadian dollar remained at the levels it held in previous years. Canadian firms were seriously impacted by higher currency costs that may have made them less competitive, but the high demand for defence related products assured them of more opportunities. Defence suppliers benefited from a strong government emphasis on domestic defence spending and support for the conflict and reconstruction activities in Iraq.

One of the most significant events in 2003 was the formal establishment of the Department of Homeland Security (DHS) that integrated a number of existing departments. This activity presented an opportunity for CCC to use its strong relationships with the U.S. DoD and the National Security Agency to broaden its exposure and procurement opportunities with the new Department. In late 2003, CCC met with DHS to explore future procurement opportunities and to build a more significant role in the DHS procurement process. Initial reaction to the overture has been favourable and CCC is hoping to enhance this relationship in the near future.

During the year, CCC actively pursued GSA initiatives, marketing the positive aspects of the schedule program in an effort to provide meaningful support to small- and medium-sized businesses seeking to break into the complex U.S. Federal Government marketplace. The Corporation concentrated on informing, advising and training rather than contracting. The program met with considerable success, including a contract signing. It is anticipated that clients finding success with this program will be able to leverage opportunities in other Federal markets for which CCC may then provide contracting services.

LATIN AMERICA – MEXICO, BRAZIL AND ECUADOR

For a number of years, CCC has focused its business development efforts on building market opportunities in Latin America. Although CCC proactively pursued business development initiatives in the region last year, the year was marked by relative instability in the region as governments focused their efforts on fighting inflation and the impacts of rising currencies. Following the last few years of financial instability, particularly in Brazil and Argentina, there have been fewer procurement opportunities for the Corporation. CCC continued efforts to develop business in Brazil, however there were not any contract signings in the year.

The Mexican market also proved difficult for CCC to make inroads in 2003-2004. While discussions took place with government officials, and with some prospective export clients, no contracts were signed. NAFTA membership has made Mexico a difficult market for CCC to penetrate, and the Corporation continues to look at establishing co-operation agreements that would allow CCC to provide direct links into specific contract opportunities.

In Ecuador, CCC worked hard at developing existing strong relationships in order to bring opportunities to contract. CCC is well placed to take advantage of a number of significant opportunities currently in the business pipeline, including projects in the security area and in the construction of a new airport for Quito. With a strong and growing oil sector, Canada's exports and direct investments into Ecuador have increased substantially to the point where Canada is the dominant foreign investor in that country. Various governmental levels have recognized the important role that CCC can play in major procurement and this has resulted in a number of strategic alliances being signed to open up opportunities for Canadian companies.

OTHER REGIONS

The Caribbean region also struggled under weak financial conditions in 2003-2004. Although the tourism sector is rebounding in the wake of 9/11, the travel industry alone is not the only solution to fostering economic growth. Unrest in some countries such as Jamaica does not help, especially in a region competing for investment dollars with an aggressive export nation like Mexico. The Dominican Republic has a new government in place and political stability is adding confidence to economic opportunities. CCC continued to support a number of projects in the region, with an initial feasibility study being undertaken for a potentially large and important water treatment facility in the Dominican Republic.

Spurred on by China's tremendous growth, Southeast Asia proved a good source for opportunities in 2003-2004. CCC's proactive involvement in India during the year indicates that the strong growth in that country combined with the expertise of certain Canadian exporters could foster some great opportunities in the coming years.

There were a number of opportunities for CCC in Eastern Europe during 2003-2004 as countries ramped up for admission into the European Union (EU). CCC was active in the aerospace and defence sector as well as in environmental remediation opportunities, since the armed forces for new EU members are required to become NATO compliant. Partnerships and investments involving Canadian companies will increase in the coming year and may spawn more proactive efforts in these sectors. Private financial institutions are supporting economic initiatives in the region, providing some credibility to these optimistic predictions.

With respect to Africa, CCC used its contracting and tendering experience to conduct a review and select a winner in a public process to evaluate 33 international candidates vying for the role of fund manager for the Canada Investment Fund for Africa. CCC also served as the executing agency for a pharmaceutical procurement arrangement for Zambia, involving the procurement of hospital drugs, supplies and test kits.

BUSINESS PERFORMANCE AT A GLANCE

The following table shows the actual results against targets (millions of dollars)

	Actual 0203	Budget 0203	Actual 0304	Budget 0304
Aerospace and defence				
DPSA	$30	$15	$30	$15
Major defence projects (excluding LAV)	$46	$200	$100	$200
Global aerospace and defence	$113	$200	$130	$200
International commercial business				
Dasiba	$1	$0	$0	$0
Progress Payment Program	$50	$35	$0	$0
ICB Major Projects	$1	$1	$0	$0
Business volume	$892	$1,110	$1,160	$1,300

OTHER REGIONS

BUSINESS PERFORMANCE AT A GLANCE

The following table shows the actual results against targets (millions of dollars)

	Actual 0203	Budget 0203	Actual 0304	Operating budget 0304
Aerospace and defence				
DPSA	$657	$600	$800	$600
Major defence projects (including LAV)	$45	$200	$112	$54
Global aerospace and defence	$113	$120	$43	$132
International commercial business				
Baseline	$87	$135	$118	$80
Progress Payment Program	$50	$55	$7	$75
ICB Major Projects	N/A	N/A	$64	$115
Business volume	**$952**	**$1,110**	**$1,144**	**$1,056**

TARGETED MARKET SECTORS

AEROSPACE AND DEFENCE

This sector is a key source of business for CCC. It includes CCC's primary business client, the U.S. Department of Defense, and major aerospace and defence projects such as the Light Armored Vehicle (LAV) Program. CCC had a number of important contract sales from this sector in 2003-2004, including the sale of Dash 8s to the U.S. Customs Agency.

CCC has participated in the sale of LAVs for almost two decades. This peacekeeping vehicle has had a revolutionary influence in military mobility. In 2003-2004, CCC facilitated sales of these units for almost $112 million and expectations are that LAV sales will be even higher next year.

Despite this success, the segment is under strain from a variety of fronts. The collapse of the commercial aviation market has left many suppliers financially weak, supported only by consistent sales into the defence market. The Department of Homeland Security is looking at "defence" products for use in non-traditional applications, a positive sign for Canadian suppliers hoping to expand their defence market base. But this action will undoubtedly channel funds from more traditional spending. Canadian industry has focused on traditional spending and there is no guarantee that Canadians will receive an equivalent share of the procurement opportunities from the resources shifted into non-traditional spending. During the year, CCC made considerable effort through face-to-face meetings and discussions to improve DHS' knowledge and understanding of CCC's role and the capabilities of Canadian suppliers to meet its needs.

Talks opened in Washington immediately following a Canadian cabinet decision in 2003 to allow for discussions on Ballistic Missile Defence. The lead agency for Canada is Foreign Affairs Canada with Industry Canada and the Department of National Defence as secondary members. One of the discussion tenets is the enhancement of industrial opportunities, and CCC is a logical focal point for initiatives in this area.

Within the last year, CCC has made significant progress in working with Canadian industry partners to package surplus Department of National Defence (DND) assets and refurbished equipment for international procurement bids. This is the first step in a longer-term plan to become a single point of contact for international buyers looking to procure military or defence assets in Canada. CCC is the logical mechanism to make this happen and efforts were made during the year to enhance its role in the international defence community.

As governments attempt to centralize the acquisition and processing of security and intelligence data, Canadian industry is well positioned to support the growth in this market, with expertise in a variety of encryption technologies. In an effort to support industrial growth in this export sector, the Communications Security Establishment (CSE) agreed to provide CCC with an officer familiar with not only the industry but also the buying community. CCC's initial focus for this sector initiative was on the U.S. market, where considerable success was achieved in developing business opportunities including a notable contract signing for US$25 million.

From left to right: LGen (Ret) Paddy O'Donnell, President, Canadian Defence Industries Association, and CCC President J. Hugh O'Donnell.

PUTTING PARTNERSHIPS TO WORK

When a foreign government makes a defence purchase from Canada, the Canadian supplier is likely a member of the Canadian Defence Industries Association (CDIA).

CCC and Canadian companies who belong to the CDIA routinely work together to satisfy the defence procurement needs of other countries.

"CCC and its ability to sign contracts with foreign governments has greatly contributed to the export success of our members over the years," says CDIA President Paddy O'Donnell. "A lot of countries are envious of the support that Canada's defence industry gets from CCC."

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ENGINEERING PROCUREMENT AND CONSTRUCTION (EPC) PROJECTS

Large infrastructure projects are an enticing opportunity for Canadian firms, but larger multi-national integrators often control them. EPC projects tend to support major infrastructural development in areas such as energy, transportation, telecommunications and wastewater management. In 2003-2004, CCC was involved in one such infrastructure project – the Quito airport – led by a Canadian firm with expertise in large airport project development. All indications suggest this project will be signed during 2004-2005.

Canada has a well-developed and well-respected industrial base specializing in the service side of these industries and is very capable of taking leading roles in large project development. However, compared with firms in many other leading developed countries, Canadian participation in EPC projects is proportionately low.

As part of its enhanced vision, CCC will undertake in the coming year a determination of the most appropriate means to offer new services that reflect a more commercial focus, including an evaluation of its potential involvement in the EPC sector. CCC intends to investigate in detail the feasibility of offering such new services to EPC and other segments, considering, among other things: client and market needs, pricing components, in-house resource capabilities, risk management frameworks, and organization and governance requirements. With the direction of the Board of Directors, CCC will then integrate findings from this investigation process and recommend strategic implementation efforts for future years.

INTERNATIONAL COMMERCIAL BUSINESS

CCC's Progress Payment Program (PPP) is predominately aimed at small- and medium-sized businesses where inherent risks exist, such as a shortage of working capital or increased exposure to sudden interest rate shifts. During 2003-2004, CCC facilitated contracts for a significant number of businesses under this creative and highly client-valued program. Under this program, CCC facilitated contracts for natural gas refueling stations, hotel furniture and hockey sweaters, as well as a number of other diverse products and services.

During the year, the Corporation initiated a robust marketing program to enhance its position in the pre-shipment financing market segment, where a number of complementary and non-complementary product offerings already exist. CCC's business volume declined despite attempts to more clearly explain the value proposition. CCC intends to continue to look for the right value point that will make this a major revenue and business volume generator for the Corporation.

In 2003-2004 CCC also targeted a segment related to environment and nuclear/biological/chemical remediation. It encouraged involvement by Canadian exporters in two areas: the redemption of stockpiles of redundant weaponry, typically

STRENGTHENING A SALES PITCH WITH CCC'S PERFORMANCE GUARANTEE

Bell Helicopter and CCC have worked together for over 15 years to facilitate the sale of more than 50 helicopters worth almost $500 million worldwide.

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GAINING ACCESS TO THE HOMELAND SECURITY MARKET

The U.S. National Security Agency (NSA) is counting on Canadian technology to help in safeguarding its sensitive information from prying eyes.

Certicom is providing the solution.

In a US$25 million deal facilitated by CCC, the NSA purchased extensive licensing rights to Certicom's Elliptic Curve Cryptography (ECC) intellectual property – a strong public-key cryptography that uses smaller keys than other systems. It is especially significant where memory and computing power are limited, such as in wireless devices or handheld computers.

"CCC proved to be a valuable partner for Certicom during the NSA negotiations. They are astute facilitators who are able to help Canadian companies, such as Certicom, navigate the details of working with foreign governments," says Ian McKinnon, president and CEO of Certicom, headquartered in Mississauga, Ontario.

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COMMERCIAL DISPUTES

For almost 60 years, CCC has assisted Canadian exporters in selling more than $30 billion in products and services to foreign customers with very few losses from defaults or contract failures. However, like any normal business entity that finds itself involved in thousands of business contract arrangements, CCC has experienced some commercial disputes. In each case, the Corporation has diligently worked to resolve the dispute and to find solutions that would mitigate any related losses. It has also sought to review its processes and procedures to ensure similar circumstances are not repeated.

In August 2003, the Ontario Superior Court of Justice awarded a Canadian manufacturer and its investors damages and interest against PWGSC, the DND, and CCC. The disputed project took place in the 1980s and early 1990s. The case is under appeal. For further information, please refer to Note 11 of the Financial Statements.

POLITICAL ENVIRONMENT

ASSISTING WITH THE GOVERNMENT'S TRADE POLICY AGENDA

CCC's policy mandate is a product of its legislated legal mandate and the government's specific international trade objectives and financial requirements. CCC uses its unique powers as a prime contractor and procurement specialist to assist the Government of Canada in its public policy agenda by:

- Strengthening the economic aspects of our Canada/U.S. defence and security relationship;
- Directing efforts to facilitate trade in complex international markets, particularly in the public sector;
- Using its international procurement expertise to support international development and humanitarian efforts for countries in transition; and
- Helping companies, both large and small, find export market contract opportunities to commercialize innovative new products and services.

The Corporation strives to meet financial targets that may be adjusted by the government from time to time, and to manage its on-going risks and financial responsibilities in a prudent manner that recognizes the wishes of its shareholders.

Strengthening the economic aspects of our Canada/U.S. relationship

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In 2003-2004, CCC convened a number of meetings with the U.S. DHS to introduce the new Department to the benefits that Canadian exporters can offer in meeting U.S. security product requirements. Success in these discussions was facilitated by CCC's strong relationship with the U.S. DoD and the National Security Administration (NSA), who are well aware of CCC's role in meeting U.S. defense and security needs.

During the year, CCC began assisting Canadian companies to access procurement opportunities with the General Services Administration (GSA), the U.S. federal procurement organization that oversees the government market for non-defence related acquisitions that amounts to more than $25 billion annually. CCC's knowledge and understanding of the GSA process is a valuable service to exporters seeking to access

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OPENING THE DOOR TO U.S. GOVERNMENT MARKETS

When Corporate Mentoring Solutions Inc. (CMSI) of Victoria, B.C., wanted to sell to the U.S. government, the first challenge was dealing with nearly two inches of documentation from the General Services Administration (GSA).

While CMSI initially considered using Washington area consultants believing they would be better connected and closer to the whole GSA process, the eventual solution was found in CCC's GSA Schedules Program.

"The other options were too expensive," says Dr. William Gray, President, Corporate Mentoring Solutions. "CCC and its relationship with the Washington Management Group gave us the experience, expertise and resources we needed to succeed with our GSA application."

Corporate Mentoring Solutions Inc. is an industry leader in the business of mentoring. Since 1999, the company has offered a web-based software system that facilitates the personal and professional growth of organizations and their staff while reducing administration and maintenance costs.

markets in which GSA familiarity or authorization is a key requirement to bidding.

CCC believes that its continued involvement in the DPSA, its growing relationship with the DHS, and its efforts to open up new markets with state and local governments under the GSA significantly contribute to Canada's commitments to enhance the Canada/U.S. economic relationship.

Facilitating trade in complex international markets

CCC provides Canadian exporters access to, and levels the playing field for them in, markets that are often characterized by protectionism, politically-based decision making, or a complexity that can exclude all but the largest and most experienced Canadian exporters. In 2003-2004, CCC helped a number of exporters win contracts in difficult markets in the Caribbean and Latin America. CCC has found that in smaller economies, in particular, Canada's participation in a government-to-government commercial agreement or contract often holds more attraction for the buyer than in a larger economy, and therefore may be particularly effective in assisting Canadian exporters to win export sales in public sector markets.

Using procurement expertise to support international development of humanitarian efforts

CCC has the capability to support international development and humanitarian efforts for countries in transition. In 2002, CCC was given a mandate to identify and select a fund manager for the $200 million Canada Investment Fund for Africa. CCC issued requests for purchase, provided professional contract management and certified that due diligence had been carried out fairly. In 2003, CCC recommended a fund manager to the Government from the selection process that involved 33 candidates. For developing countries such as Zambia, where CCC was also involved in procuring health and pharmaceutical products, CCC provided real value as a procurement agent capable of facilitating a more transparent purchasing process.

CCC believes it can play a valuable role as a procurement intermediary for the provision of low cost pharmaceuticals to assist in the fight against HIV/AIDS in developing countries. It is currently investigating the potential for this opportunity in discussions with key government departments.

Commercializing innovation through exports

Through its international sales, CCC has assisted thousands of companies to sell their products to foreign governments. As many of CCC's sales are in the aerospace sector, these products often have a significant technology component, increasingly so in recent years. Indeed, assurance of successful delivery of high performance products (often critical

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From left to right: Bruce Fox, CCC Senior Consultant; Marilynne Miles Gray, Vice President CMSI; Dr. William A. Gray, President CMSI.

OPENING THE DOOR TO U.S. GOVERNMENT MARKETS

When Corporate Mentoring Solutions Inc. (CMSI) of Victoria, B.C., wanted to sell to the U.S. government, the first challenge was dealing with nearly two inches of documentation from the General Services Administration (GSA).

While CMSI initially considered using Washington area consultants believing they would be better connected and closer to the whole GSA process, the eventual solution was found in CCC's GSA Schedules Program.

"The other options were too expensive," says Dr. William Gray, President, Corporate Mentoring Solutions. "CCC and its relationship with the Washington Management Group gave us the experience, expertise and resources we needed to succeed with our GSA application."

Corporate Mentoring Solutions Inc. is an industry leader in the business of mentoring. Since 1999, the company has offered a web-based software system that facilitates the personal and professional growth of organizations and their staff while reducing administration and maintenance costs.

components in larger systems) is perhaps the main reason CCC's foreign customers use the Corporation's services as a prime contractor to purchase Canadian goods. CCC offers considerable value to companies seeking to bring new technologies to foreign markets.

There is no shortage of breakthrough ideas and new technologies in this country. But, in general, Canada is having some difficulty bringing these solutions to commercial success. Commercialization of innovation by startup companies or SMEs, who are often the sources of discovery, is a complex problem. Solutions may well require more emphasis on general management development and increased venture capital capacity than on export-specific support. CCC's contribution will come foremost from its experience in providing export-related assistance and advice, and by facilitating access to commercial sources of export pre-shipment financing. Even with technology or product superiority, smaller firms often lack the reputation, experience and financial base to compete effectively in worldwide markets. CCC's knowledge of the challenging international business environment along with its ability to guarantee contract performance is an invaluable service to offer.

SOCIAL AND ENVIRONMENTAL CONSIDERATIONS

CORPORATE SOCIAL RESPONSIBILITY

As a Crown corporation wholly-owned by the Government of Canada, CCC is committed to upholding and promoting Canada's position toward Corporate Social Responsibility (CSR).

In 2003-2004, CCC began efforts to address the Government of Canada's positions in this area in a manner that would acknowledge the international competitive playing field and respect foreign governments in sovereignty matters. CCC recognizes that balancing these considerations in a variety of social and political environments throughout the world is critical for its stakeholders.

In late fiscal 2003, CCC developed a plan to address ethical and environmental issues and will be implementing elements of that plan in the next fiscal year. During the year, CCC staff worked on drafting internal Conflict of Interest guidelines and on efforts to define core values of the Corporation. The results of these two activities will be integrated into a Code of Conduct for the Corporation.

In March 2004, the government introduced Bill C-25, "*An Act To Establish A Procedure For The Disclosing Of Wrongdoings In The Public Sector, Including The Protection Of Persons Who Disclose Wrongdoings*". The Act, requiring that policies be established for handling wrongdoing disclosures, applies to Crown corporations as well as to government departments. In the context of this Act, Treasury Board was also required to define a Code of Conduct for the Public Service.

CCC immediately began focusing its efforts on developing policy procedures for this proposed "whistleblowing" legislation and work is still underway. Upon creation of a new Code of Conduct by Treasury Board, CCC will assess what changes will be required and integrate those findings into its own Code of Conduct statement.

In its efforts to more clearly define its own values and ethics, CCC intends to work closely with the Department of International Trade and with other organizations involved in related international activities to consolidate a Canadian view on social responsibilities in this area.

ENVIRONMENTAL ISSUES

In June 2003, amendments to the Canadian Environmental Assessment Act (CEAA) were inaugurated. The legislation recognizes that the existing requirements and procedures of the CEAA are not readily applicable or appropriate to the variety of activities undertaken by Crown corporations. The legislation provides for a three-year grace period, post proclamation, for the Crowns and the Agency to work together to draft appropriate regulations specific to either the Crown corporation or to a class of Crown corporations.

Throughout 2003-2004, CCC met with the CEA Agency to develop a regulation to the Act that would address the needs of CCC's exporter and foreign buyer clientele, and respect the environment in those diverse locations in which CCC is involved worldwide. Work continues in this regard, with a long-term objective of implementing an appropriate regulation and associated internal review processes before the grace period expires. As part of that activity, CCC will review, update or replace its current voluntary Environmental Review Framework to ensure its environmental assessment requirements are at par with the standards set by other major organizations supporting the export of Canadian goods and services.

INTERNAL CAPACITY

CCC delivers its services through a workforce of highly skilled employees with particular expertise in market development, finance, risk management, negotiation and international contracting. Specialized contracting services are provided to CCC by staff at PWGSC on a negotiated cost basis. In addition, CCC partners with provincial organizations to extend its regional business development capacity.

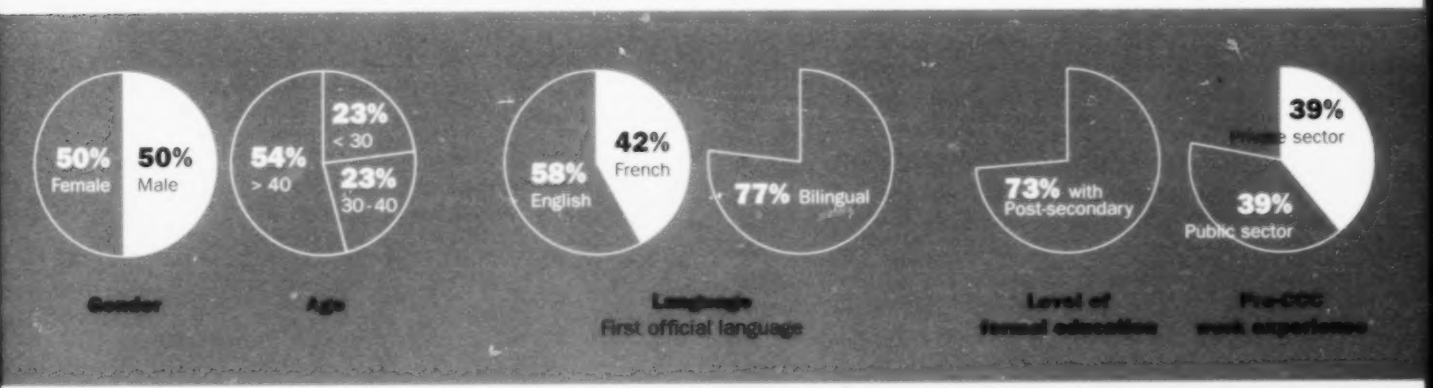
CCC's workforce is well balanced in terms of age, experience and gender, and the Corporation is well positioned linguistically to provide service to exporters from all Canadian regions. CCC staff is energetic and enthusiastic and many have a working knowledge of different languages that helps them communicate more effectively with foreign buyers. The education and age of the staff have contributed to a strong mentoring and learning culture with considerable interest in developmental opportunities.

CCC is committed to creating a continuous learning environment. Using a unique "5 + 5" program to build transferable skills that support a broad commercial agenda, 5% of payroll expenditures are invested in career development initiatives and every employee is expected to devote five days to learning activities annually. Last year CCC personnel spent an average of 7.5 days on training activities. Training aims to hone financial expertise, build project management capacity, develop risk assessment skills, strengthen leadership abilities, sharpen negotiation tactics and broaden language proficiencies.

Employee engagement is strong when there is a convergence between the values of the workplace and the values of the person. To supplement professional training, the Corporation offers healthy-living seminars, lifestyle clinics and flexible work options. CCC is committed to recognizing the human side of work, nurturing the 'whole person', and promoting a set of shared values throughout the Corporation.

In 2003-2004, CCC concentrated on building a comprehensive IT technical strategy for the Oracle E-Business Suite Infrastructure that was installed the previous year. The platform was introduced to provide improved performance measurement tools, "just-in-time" business and financial tracking, and enhanced customer relationship management capabilities.

Business processes were examined in order to leverage the enhanced functionalities of the platform. CCC implemented a technical consolidation plan and introduced new security measures that successfully protected CCC from virus attacks that disrupted computer systems worldwide last year, and ensured the Corporation was able to operate effectively through a hydro disruption in Ontario in the summer 2003. Work performed during the year will facilitate the development in the near future of web portals, which will allow all users to easily access information and applications.



From left to right: Don Olsen, Senior Project Manager; J. Hugh O'Donnell, CCC President.

LEARNING TO ENHANCE CLIENT SERVICE

Our people have extensive international contracting expertise and are being recognized for it.

CCC has forged an alliance with the Forum for International Trade Training (FITT) to support employees who are seeking designation as a Certified International Trade Professional (CITP). It is the highest level of accreditation available to international business and trade professionals.

Don Olsen, a Senior Project Manager with CCC for 20 years, has completed the program. "I'm sure clients have more confidence when they know the experience and education that backs up my words. I now have more tools at my disposal than before and that can only improve the client service experience."

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Gender

Age

Language
First official language

Level of formal education

Pre-CCC work experience

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CORPORATE GOVERNANCE

In 2003, the Board of Directors undertook measures to improve and further strengthen corporate governance practices and processes in CCC, in particular as they relate to financial management and performance.

The Board believes it has taken positive steps in the oversight of the Corporation's management and performance as CCC fulfills its mandate, and policy and commercial objectives. The governance structure helps CCC achieve a consistently high standard of accountability and is consistent with the Treasury Board's guiding principles, as outlined in *Corporate Governance in Crown Corporations and Other Public Enterprises*.

The Board defined its role in the corporate planning process, provided strategic direction to management, and approved corporate initiatives as described in the Corporate Plan for 2004-05 to 2008-09. The Corporate Plan identified the need for a more commercial vision for the Corporation. To assist management in the development and introduction of new service offerings, the Board established the Commercial Initiatives Committee that will provide guidance on the strategic, technical and policy implications of the new service initiatives that are proposed. The emphasis will be on ensuring that each new service offering provides value to clients while remaining focused on CCC's objective of reducing dependency on parliamentary appropriations and being diligent in managing risk.

During the year, the Board initiated the process to establish a Nominating Committee to oversee a competitive search process for a new CEO. The selection process is following the new merit-based appointment process for heads of Crown corporations that the Government announced in March 2004. In addition, the committee will tackle issues related to both Board and senior management succession. The Board will begin the process of instituting a training program for directors and a formalized process to evaluate members' performance.

The Board regularly reviewed interim financial statements, business status and other corporate risk management reports, performance reports, as well as contract and litigation reports, and provided direction to management.

AUDIT COMMITTEE

In pursuing the Board's commitment to best practices in governance, the Audit Committee reviewed the existing corporate bylaw related to its roles and responsibilities, and benchmarked this bylaw against leading corporate governance pronouncements in the private and public sectors. These included Treasury Board guidelines for Crown Corporation Audit Committees, the U.S. *Sarbanes-Oxley Act* of 2002, the governance structure and practices of the Ontario Securities Commission, and the Canadian Institute of Chartered Accountants report *Beyond Compliance: Building a Governance Culture*. A revised bylaw and newly established terms of reference were introduced following the review, which the Board believes will put CCC at the leading edge in terms of Audit Committee governance.

The Audit Committee performed its annual governance requirements, such as reviewing the Annual Report including the audited financial statements; following up on Internal Audit and Office of the Auditor General recommendations; and reviewing the Corporation's Operating and Capital Budgets and Borrowing Plan. In addition, the Audit Committee reviewed the Special Examination Audit Plan and the development of an improved quarterly financial reporting package. It also approved the Corporation's new Post-Contract Management Manual to improve business processes and risk management, risk management procedures associated with the SME Risk Fund, and a treasury management framework to mitigate foreign exchange gains and losses.

In light of new corporate by-laws and terms of reference related to the work of the Audit Committee, a special focus for the committee next year will be to develop a work plan to support its increased governance responsibilities.

MEETINGS AND EXPENSES

CCC's Board is composed of the Chairperson, nine Directors and the President. With the exception of the President, all Directors, including the Chair, are independent of management. The Board met five times in person and three times by conference call during the year.

The following committees support the Board in its work: Audit Committee, Compensation Committee, Commercial Initiatives Committee and Nominating Committee.

Director's remuneration is set by Order-in-Council. The Chairperson is paid an annual retainer of $9,400 and a per diem of $375. Other private sector directors are paid an annual fee of $4,700 and a per diem of $375. The per diem is paid for attending meetings, travel and review of materials. Chairpersons of committees receive an additional retainer of $1,500 in recognition of their additional work. Public service directors do not receive remuneration.

The Board's expenses in 2003-2004, including annual retainers and honoraria at rates approved by the government, as well as travel and meeting costs, totaled $162,730. The increase from the previous year's expenditure of $93,000 resulted from an increase in the size the Board and the number of meetings by the full Board and the Audit Committee.

APPOINTMENTS

Mr. John Duffy from Whitby, Ontario was appointed as a Director in October 2003. Mr. David Fransen, Assistant Deputy Minister, Industry Sector, Industry Canada, was appointed as a Director in October 2003. Mr. Ken Sunquist participated in the Board as an observer, being the representative from the Department of International Trade Canada, with formal appointment to the Board expected to occur in the new fiscal year. Grant Mitchell of Edmonton, Alberta was appointed to the Board in March 2004.

Outgoing members during the year were John Banigan, Marie-Lucie Morin and Wendy Morris.

FINANCIAL HIGHLIGHTS

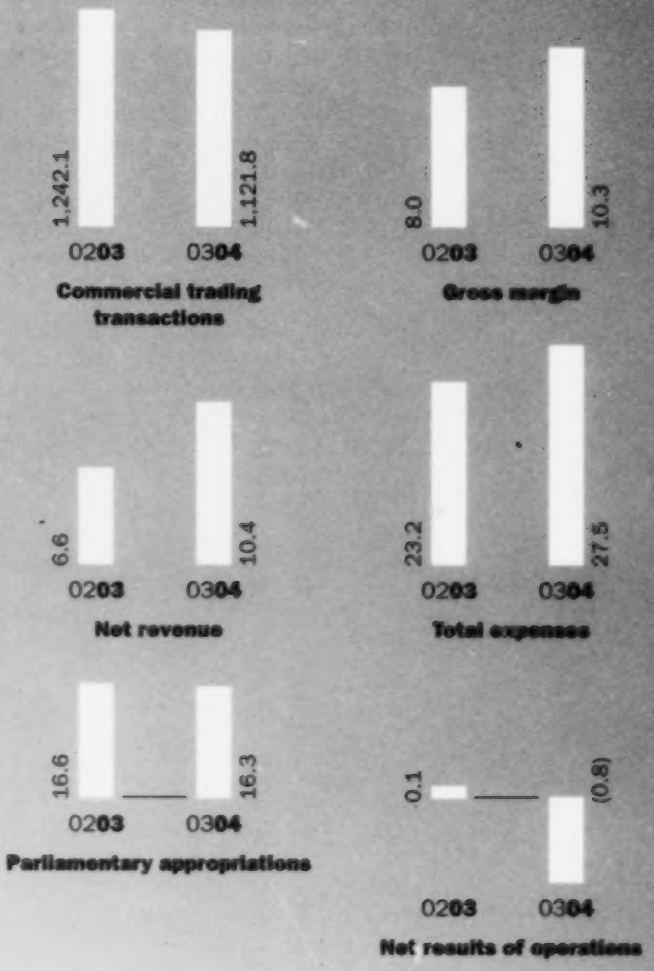
The 2003-2004 fiscal year ended with a loss primarily due to foreign exchange losses relating to the strengthening of the Canadian dollar against the U.S. dollar, and higher than expected additional contract costs attributable to a single SME facilitated contract. This loss breaks a successive period of profits that began in 1995-1996.

Notwithstanding the net loss, the Corporation was financially self-sufficient in its non-Defense Production Sharing Arrangement (DPSA) services for a second consecutive year. CCC posted record revenues, notably from its fees for services offered to exporters. The Corporation is confident that the goal established in the Corporate Plan of financial self-sufficiency in its non-DPSA programs by 2006-2007 can be met and sustained beyond that time.

Below is a more detailed discussion of the Corporation's 2003-2004 operating highlights.

INCOME STATEMENT DISCUSSION

Summary Results of Operations
($ million)



Commercial trading transactions include the Corporation's billings from outstanding signed contracts, fees-for-service and income generated from discounting exporters' receivables. The value of these transactions was slightly lower this year than last, primarily owing to the effects of a higher valued Canadian dollar that discounted project values and returns that had been contracted in U.S. dollars. The latest Corporate Plan projects that commercial trading transactions will increase to approximately $1.21 billion in 2004-2005, reflecting higher sales orders signed in 2003-2004. They are projected to continue to rise to $1.31 billion and beyond, post 2005-2006.

The Corporation's gross margin increased by $2.3 million or 29 percent primarily due to a favourable $2.1-million reversal of a long-outstanding liability. The remaining $0.2 million increase came primarily from an increase in fees from last year's level of $7.1 million. Over the long-term, the gross margin is expected to continue growing as the fee-for-service regime is applied to more of the Corporation's export transactions.

Net revenue (the total of gross margin, net interest income, and gain (loss) on foreign exchange) increased by $3.8 million compared to last year due to smaller foreign exchange

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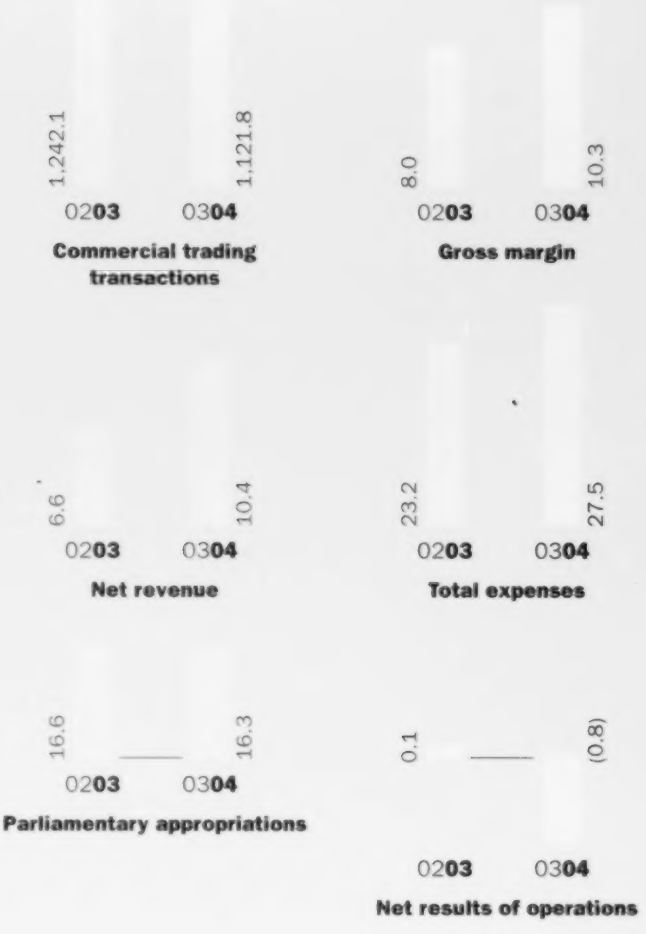

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losses and higher net interest income, in addition to the higher gross margin results mentioned earlier. The amount of interest income generated on the Corporation's surplus cash holdings (2004 – $1.606 million, 2003 – $1.365 million) increased due to changes in currency holdings of the Corporation, and the introduction of electronic billing and collection with our largest client, U.S. DoD.

The increase in the value of the Canadian dollar against the U.S. dollar resulted in a foreign exchange loss of $1.558 million in 2003-2004, when the Corporation's U.S. assets were converted to Canadian dollar equivalents. This, however, compares favourably to last year's foreign exchange loss of $2.772 million. Based on the position of the Canadian dollar versus the U.S. dollar as of March 31, 2004, the new treasury management framework avoided further foreign exchange translation losses of $0.9 million. This framework has also allowed the Corporation to take advantage of the higher interest rates in Canada for Canadian dollar holdings.

For some years now, currency fluctuations have presented special challenges to the Corporation and last year was no exception. During the year, the Corporation implemented a new treasury management system to minimize the occurrence of foreign exchange translation losses or gains in the future. The Corporation converted a substantial portion of its U.S. dollar holdings into Canadian dollars and began borrowing in U.S. dollars to meet corporate obligations in this currency. This minimized the requirement for cash holdings that could be adversely affected by dramatic currency fluctuations such as those experienced with the Canadian dollar in the past year.

> "During the year, the Corporation implemented a new treasury management system to minimize the occurrence of foreign exchange translation losses or gains in the future."

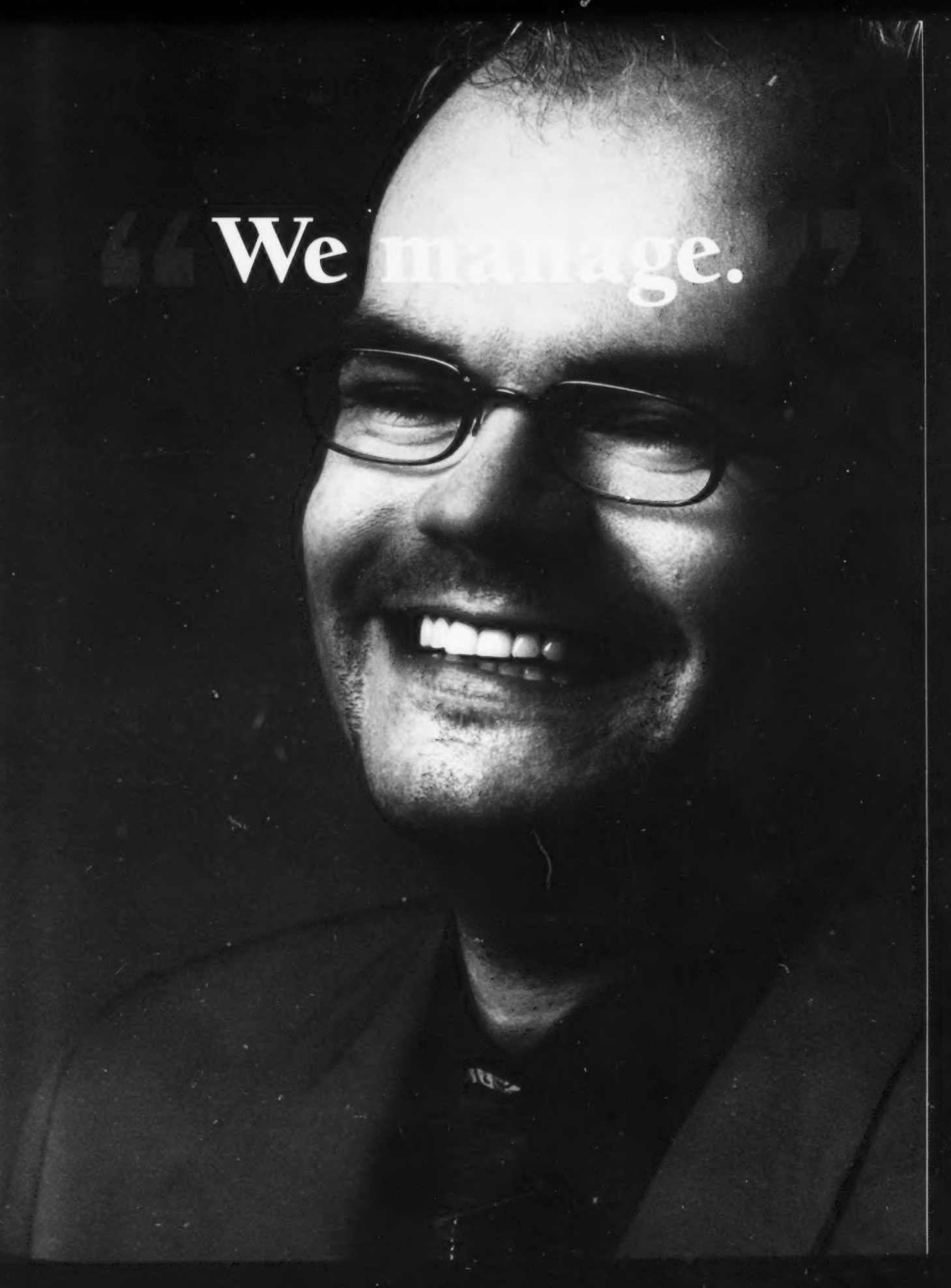
Total expenses increased by $4.3 million year-over-year, with administrative expenses increasing by $1.0 million, and additional contract and related costs growing by $3.3 million. Major reasons for the administrative expenditure increase were:

- Amortization expense increased by approximately $120,000, reflecting higher capitalization charges associated with the Corporation's computer system;
- Other expenses associated with higher bank charges (recovered in fees charged) rose by approximately $212,000;
- The Corporation's workforce compensation envelope associated primarily with the collective bargaining agreement and lapses that occurred in the previous year due to staff transition accounted for increases of $734,000;
- Training for staff ($178,000) and higher information technology expenditures associated with the Corporation's computer system ($659,000) were $837,000 higher than last year. These additional expenditures related to the Corporation's Corporate Plan commitments in these areas.

Increased administration expenses were offset by a $706,000 reduction in charges for services rendered by Public Works and Government Services Canada (that portion of PWGSC services which are in turn chargeable to clients) and by savings of $116,000 through lower marketing and promotion expenditures as planned events were deferred to next year.

The Corporation closely monitors its administrative expenditures. The year-over-year increase in corporate administrative expenditures was 4.9 percent. One indicator that the Corporation introduced last year to measure its administrative expenditure efficiency is the ratio of administrative expenditures to commercial trading transactions, with an objective not to exceed 2 percent. The 2003-2004 ratio is 1.95 percent, which is below the 2 percent threshold but higher than the 2002-2003 result of 1.68 percent. The 2004-2005 Corporate Plan projects an improvement in the ratio to 1.8 percent as administrative expenditures stay relatively flat while commercial trading transactions increase.

In 2003-2004, the Corporation received $400,000 less in appropriations from Parliament than 2002-2003, when the Corporation received a one-time contribution for management and staff compensation incurred in previous years. The Corporation expects to receive $16.4 million in appropriations in 2004-2005.


We manage.

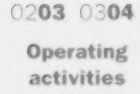
Total assets decreased to $350.8 million at March 31, 2004, down $68.5 million from the previous fiscal year-end. This decrease reflects two major items: a higher Canadian dollar which lowers the value of CCC's U.S. denominated assets; and a change in the size and mixture of the Corporation's portfolio of uncompleted contracts, with lower advances and progress payment activity than last year. The Corporate Plan anticipates an increase in assets to $460 million next year.

BALANCE SHEET DISCUSSION

Summary financial position
($ million)

CHANGES IN CASH FLOW DISCUSSION

Summary of cash flow
($ million)



The value of the equity investment of the Government of Canada in CCC remained essentially the same, at approximately $40 million. The Corporation's equity backstops the normal commercial risks inherent in its contract portfolio of uncompleted contracts totaling approximately $1.4 billion. The Corporation applies a comprehensive risk management framework to support this position, acknowledging that, as an agent of the Crown, all obligations of the Corporation are obligations of the Government of Canada.

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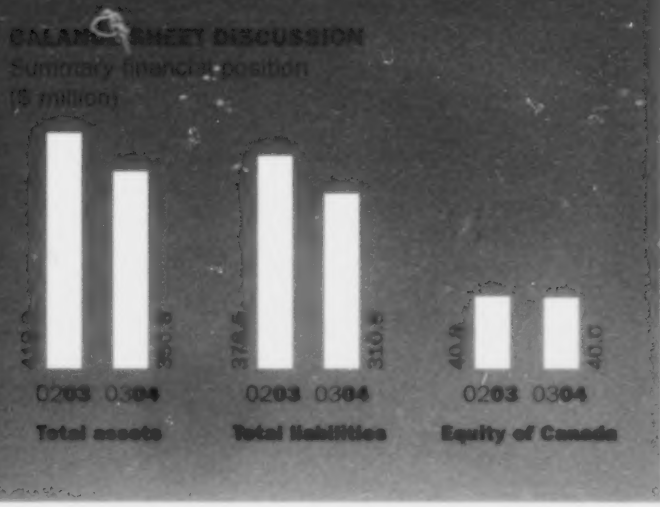

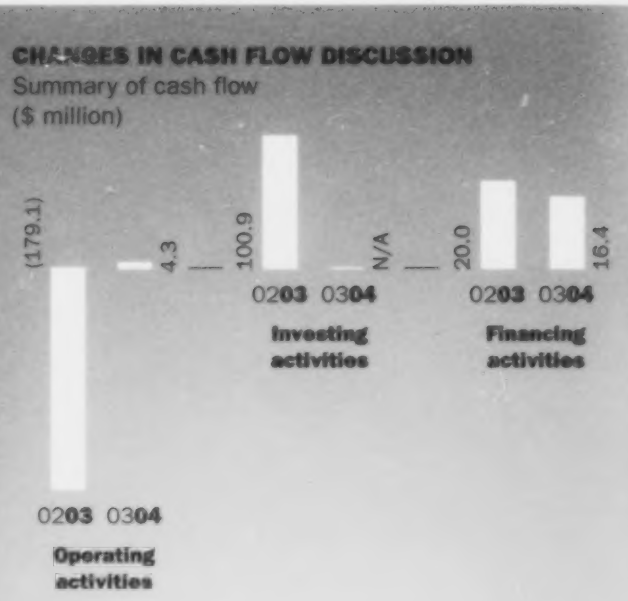

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As an international trade intermediary, CCC for the most part offsets its trading-related assets with matching liabilities. Accounts receivable from foreign customers and progress payments to Canadian exporters on the assets side of the balance sheet are largely offset by accounts payable and accrued liabilities to Canadian exporters, as well as by progress payments from foreign customers.

In certain programs, however (such as sales under the DPSA), the Corporation does have a need for other sources of working capital to bridge timing differences between its payables and receivables. CCC's statutory power to borrow commercially up to $90 million (limited by Minister of Finance authority in 2003-2004 to $40 million) provides it with useful flexibility to manage such variations. In 2004-2005, the Corporation expects to borrow at its statutory ceiling of $90 million in order to incorporate $50 million of borrowings associated with non-DPSA sales. Due to the fact that it may be borrowing at its statutory ceiling level, the Corporation will undertake a review in 2004-2005 to determine its future borrowing requirements.

CCC's capital assets decreased on a net basis by $717,000 in 2003-2004. This was the result of amortization of the Corporation's information system technology. The Corporation's provision for additional contract and related costs was increased by $4.2 million for one particular project.

As described in the Corporation's Cash Flow statement, cash and short-term deposits at March 31, 2003 increased by $19.1 million compared to the previous year. This can be identified under three key activity areas:

OPERATING ACTIVITIES

Cash provided by operating activities contributed $4.3 million in cash flow, a significant improvement from the negative cash flow of $179.1 million in 2002-2003. Although CCC's annual cash flow from operations is traditionally negative due to the payment policies in its DPSA business, i.e. the Corporation pays Canadian exporters in 30 days from receipt of invoice irrespective of when it receives payment from the U.S. Government, efforts focusing on improving collection capabilities this year resulted in reductions for aged receivables, which greatly improved operating cash flow.

INVESTING ACTIVITIES

Unlike the previous year, there were no investing activities this year. In 2002-2003, the profile of cash provided by investing activities was influenced by large investments on behalf of foreign customers in 2001-2002, with a redemption of securities

in 2002-2003 at the request of the foreign customers. The interest generated from these monies benefited the foreign parties. The Corporation also spent $1 million on the acquisition of its new information technology systems in that year.

FINANCING ACTIVITIES

Cash provided by financing activities amounted to $16.4 million for the year ended March 31, 2004, compared to $20.0 million for 2003. In the year ending March 31, 2003, the $20 million of positive cash flow from financing activities represented the government's decision to strengthen the Corporation's financial position, providing increased operating appropriations and a capital infusion following the repayment of a Government of Canada loan. This year's cash flow from financing activities represents the Corporation's regular parliamentary operating appropriations at the increased level.

COMPARISON WITH 2003-2004 TO 2007-2008 CORPORATE PLAN

INCOME STATEMENT

2003-2004 was a successful year for the Corporation in business transactions and revenue generation. CCC exceeded its commercial trading transaction revenue target of $1.048 billion by $73 million, as Canadian exporters made more deliveries than projected. The Corporation also surpassed its $6.0 million revenue target for fee-for-service revenues, generating $7.3 million in its second year of implementation, the most generated as fee-for-service or cost recovery in CCC's business history. The Corporation also generated $0.3 million more income from receivables discounting than budgeted. These factors plus a $2.1-million long-standing liability reversal led to a positive variance in its gross margin results. Net interest revenue results were greater than planned, due primarily to improved receivable collection efforts that reduced the Corporation's commercial borrowing costs. Despite solid efforts to offset currency fluctuations, the Corporation posted a more significant foreign exchange translation loss than budgeted, due to the rapid appreciation of the Canadian dollar vis-à-vis the U.S. dollar.

Additional contract and related costs, attributable to a single contract dispute, exceeded budgeted levels (based on historical trends) by $4.0 million. The issues surrounding this SME facilitated contract, signed in 1995, arose prior to the introduction of the Corporation's more stringent risk management structures and processes later in the same year. While this problem would not likely have arisen under today's risk management framework, the Corporation continues to review its internal processes to ensure that optimal risk management and monitoring approaches are in place for all contracts.

Administrative expenditures were slightly greater than planned due to payouts of performance or incentive payment plan awards to CCC staff for exceeding corporate plan targets, for the development of an IT disaster recovery plan one year earlier than planned and for higher bank charges, which were recovered through fees charged to customers. Amortization charges were also higher than budgeted as approximately $1 million more was spent on the computer system's configuration than originally planned.

BALANCE SHEET AND CASH FLOW

The Corporation's total assets were less than planned ($350.8 million vs. $382.9 million) due to changes in the Corporation's contract portfolio and the higher Canadian dollar, as of March 31, 2004. The Corporation achieved a slightly higher cash position than planned due to successful receivable collection efforts.

LOOKING AHEAD FIVE YEARS

CCC's Corporate Plan for 2004-2005 to 2008-2009 identifies the objectives and strategies the Corporation will pursue to fulfill its mandate of facilitating trade. CCC will continue to work towards becoming financially self-sufficient in its non-DPSA programs by 2006-2007 and achieving a more diversified export contract portfolio. For 2004-2005, the Corporation has developed a fee-for-service target of $7.2 million. Although this target is essentially equivalent to the 2003-2004 result, it was established when the Corporation's outlook for the 2003-2004 year at the time of finalizing the Plan was $6.9 million.

In response to a growing number of companies asking for CCC's support for more complex projects with an overseas construction component, CCC is increasing its focus in this area. A shift toward these projects will have a positive impact on the Corporation's finances because they involve extensive pre-contract work, which under the Corporation's fee-for-service policy is chargeable as the work is performed.

The Corporation expects total assets to increase from $350.8 million to $460.3 million and total liabilities from $310.8 million to $419.1 million due to the projected increase in the size of the Corporation's contract portfolio. The Corporation's cash position is projected to increase to $56.8 million next year due to improved contract payment flow in its operating activities.

Net income is planned at $389,000, as the elimination of significant foreign exchange losses, based on this year's treasury management changes, improves the Corporation's bottom-line.

RISK MANAGEMENT

Given its mandate to facilitate international trade and the commercial environment in which it operates, CCC is subject to a wide variety of risks and uncertainties, both external and internal to the Corporation.

CCC has a comprehensive risk management framework that encompasses a number of risk factors that the Corporation faces in its day-to-day operations. The extent of the Corporation's ability to embrace these risks is determined by its risk tolerance

policy, which is set by the Board of Directors. In establishing that policy, the Board takes into account the Corporation's public policy mandate and financial requirements.

EXTERNAL RISKS

The Corporation's sales prospects are subject to prevailing conditions in international economic and financial markets, and in particular to those factors influencing public procurement.

Canadian economic conditions, including the exchange rate, influence the competitive position of Canadian exporters and thus the demand for CCC's services. Interest rates and credit conditions affect the Corporation's overall risk exposure as well, through the balance sheet health of Canadian exporters. In 2003-2004, the rising Canadian dollar decreased the reporting size of the Corporation's assets and liabilities, of which a significant portion originates in U.S. dollars. Changes in interest rates in both Canada and the U.S. also impacted CCC's treasury operations.

INTERNAL RISKS

The Corporation has recognized that there are a number of internal factors and policies that can impact the effectiveness of its operations and, ultimately, its capacity to respond to the needs of its clients. Key risk areas include market awareness and stakeholder relations, pricing, personnel, technology and information systems, and organizational structure and values. Regular monitoring of these risks occurs through the Corporation's management structure and interactions with its Board, and through a comprehensive corporate planning process.

Increased awareness of the Corporation among clients, new and old, is key to increased international trade facilitation by the Corporation. It is being delivered through increased funding of marketing and promotion activities, which commenced two years ago. Positive relations with stakeholders are encouraged and monitored through CCC's management committee structure.

The introduction of a fee-for-service policy successfully generated significant income growth in its first year. The policy was reviewed last year to ensure it continues to adapt to market conditions and that the Corporation's revenue flow is not at risk. It is expected that the policy will likely be modified this year.

The Corporation increased its training resources budget two years ago so that employees will receive ongoing training in international trade with particular focus on contract structuring, negotiation and management. CCC's enhanced information technology system, which was put into operational use last year, continues to be configured in order to improve the Corporation's business efficiency and enable more E-Business. A long-term technology development plan is being implemented to ensure that the proper level of funding is maintained and any disruption to the existing work environment is minimized.

The Corporation has a number of policies and procedures in place, as well as a long-term internal audit plan, to identify and correct internal control weaknesses and systems deficiencies, covering the areas of human resources, technology and other organizational factors.

Over the coming year, the Corporation will be evaluating the merits of implementing a formal enterprise-wide risk management system to better document, evaluate and mitigate the risks in addressing its corporate strategic objectives.

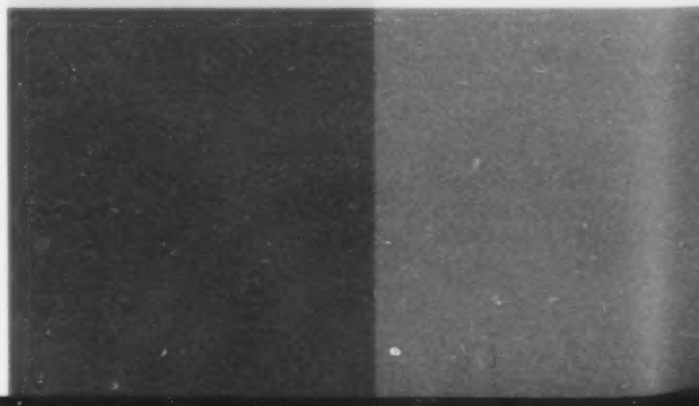
TRANSACTION RISKS

The Corporation is sensitive to the need to protect taxpayers by effectively mitigating and managing risk in its business transactions, specifically its export contracts and other financial activities.

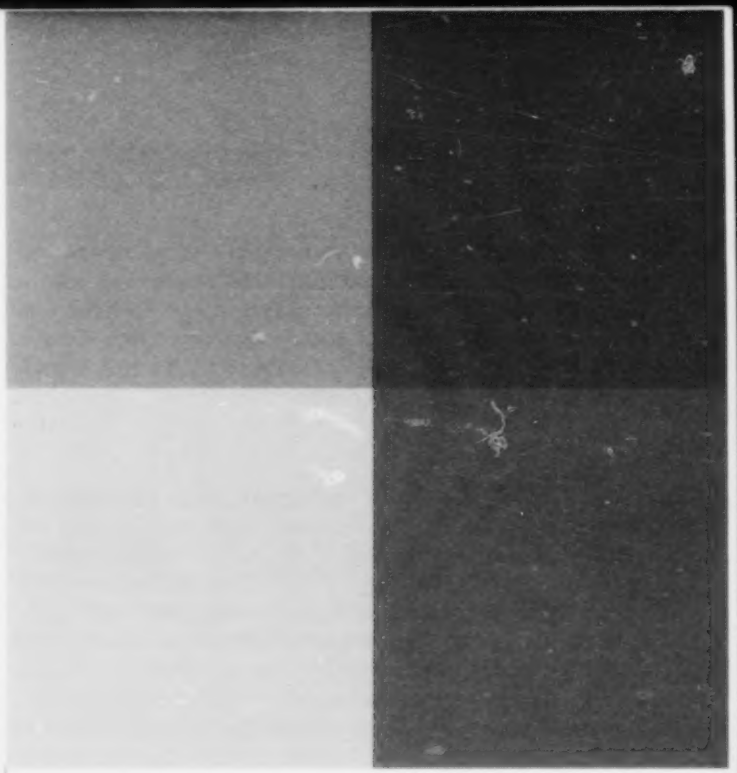
Contract risk

As CCC is an organization that signs and takes responsibility for approximately $1 billion in export contracts each year, contract risk is a critical concern for the Corporation. CCC takes a proactive role in the development of the foreign contract and uses the contract negotiating process to mitigate risk. CCC staff assess the international transaction as a whole and identify the roles and responsibilities needed for successful completion of the project, and work with the buyer and the Canadian supplier to secure a mutually beneficial contract.

Among the risk mitigation issues that CCC addresses in its contracts are: timing of foreign payment flows to exporter production cash flows, location and basis of acceptance of the



goods or services, location and basis for dispute resolution, and timing of foreign party contractual obligations versus the exporter's. CCC passes on the obligations of the foreign contract to the Canadian supplier via a back-to-back matching domestic contract.



Performance risk

Performance risk is the risk that the Corporation's supplier or suppliers (exporters) may fail to supply goods and services to the foreign buyer consistent with the terms and conditions of the contract. Prior to entering into such contracts, the Corporation conducts an extensive due diligence review of the exporter's managerial, technical and financial capability and the foreign contract.

In the case of Defense Production Sharing Arrangement (DPSA) projects and some others, Public Works and Government Services Canada (PWGSC) conducts this risk assessment on behalf of the Corporation. Depending upon the results, the Corporation may require additional assurances such as performance securities and/or contract modifications.

Foreign credit risk

Foreign credit risk is the risk that the foreign party will not honour its obligation to pay for the goods and/or services under the contract. The Corporation has a foreign credit risk policy that determines the amount and extent to which it will entertain this risk on its own account. Specifically, it takes a Triple A rated credit risk of foreign governments and commercial parties, and accepts commercial securities to back up customers' payment obligations where the credit rating is less, unless the Board has provided an exception. In all other cases, the foreign credit risk is the responsibility of the exporter, who often uses the financing and insurance services of Export Development Canada (EDC).

Foreign exchange risk

Foreign exchange risk is the risk that the foreign currency under the contract fluctuates negatively against the Canadian dollar over the term of the contract. It is the Corporation's policy to pass this risk to the Canadian exporter. The Corporation partners with the Toronto-Dominion Bank to offer foreign exchange services to exporters under its contracts at favourable rates.

IMPLEMENTATION RISKS

Following contract signing, the Corporation actively monitors and manages the risks associated with transactions post-commitment to ensure that issues are identified and addressed as early as possible. As a follow-up to internal audit review of its post-contract arrangement practices, policies and organization, the Corporation developed a Post-Contract Management Manual. The implementation of this Manual will improve the Corporation's risk management practices and business processes associated with its outstanding contract portfolio. In an effort to develop expertise to address transactions in a probable loss situation, leadership in resolving these files was centralized this year under a Restructuring Unit. The Corporation has already experienced the benefits of the establishment of this Unit in terms of faster turnaround time, ability to utilize lessons learned on previous transactions and a reduction in workload requirements from other Corporate Units.

RESPONSIBILITIES

To properly assess the risk inherent in each international trade transaction, the following groups within the Corporation have been allocated responsibility for certain categories of risk:

1) Operations is responsible for evaluating and assessing the supplier's technical and managerial capability, and for assessing, developing and signing contracts;
2) Financial Risk Analysis Services is responsible for evaluating and assessing the supplier's financial capability, project cash flow, foreign credit risk and foreign exchange risk;
3) Legal Services is responsible for evaluating and assessing contractual risk.

Individuals in these groups have a delegated approval authority based on relevant expertise and experience. With some exceptions, each transaction requires the approval of all three groups. Significant transactions that pose special risk, such

as those relative to overseas construction projects, or for projects exceeding $100 million in value, require Board of Directors' approval.

The Corporation's Policy and Planning unit is responsible for assisting Operations in ensuring all trade transactions adhere to export permit requirements, Government of Canada trade sanctions, "capital" project guidelines (governing overseas construction projects), as well as environmental and corporate social responsibility requirements.

OTHER BUSINESS RISKS

In addition to risk related to specific export transactions, the Corporation is exposed to risks related to its corporate financial or treasury operations. These include the risk of financial losses arising from movements in interest and foreign exchange rates, appropriateness of the investment instruments and the financial institutions holding the Corporation's money, as well as (liquidity) risk of insufficient funds to address corporate obligations. Treasury management policies approved by the Audit Committee of the Board have been put in place to minimize these risks, including the currencies transacted and the types of investment instruments it uses. For 2003-2004, the Corporation invested its cash balances in Canadian dollars, to take advantage of favourable interest rates and eliminate its exposure to foreign exchange loss. The treasury unit also reports regularly on the credit status of the financial institutions holding its cash.

Most of the Corporation's transactions outside the United States are structured to avoid situations where the risk becomes illiquid, as the exporter normally receives payment only after prior payment to CCC by the foreign buyer. Under the DPSA, however, CCC may pay its supplier before receiving payment from the customer. The Corporation has access to lines of credit of up to $40 million with a Canadian financial institution to address DPSA liquidity requirements, if required.

Next year, due to a change in legal status of some of its arrangements conducted with various financial institutions to facilitate exports in certain markets, the Corporation expects to utilize the full $90 million of its statutory borrowing authority. As such, the Corporation will undergo a review of its future borrowing needs to assess whether its statutory borrowing level needs to be changed.

RISK CAPITAL ALLOCATION

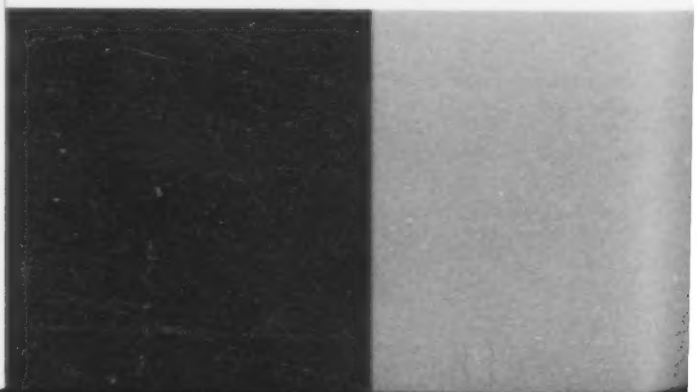
The Corporation allocates its available risk capital between its performance risk obligations and its foreign credit risk obligations based on limits imposed by the Board of Directors. The utilization status of its risk capital is reported to the Board of Directors at each meeting.

Performance risk exposures are further sub-divided into two categories: 1) exposures that fit within normal risk tolerance parameters and 2) exposures that are above normal risk and have been allocated to the Corporation's SME Risk Fund.

SMEs are typically weaker than larger companies in one or all of CCC's principal areas of due diligence review: financial, technical and managerial capacity. CCC takes a hands-on approach to addressing these risks, notably through the negotiation of the foreign contract. However, in some cases, the Corporation is unable to completely mitigate all of the project risks, which results in some residual exposure to the Corporation, and consequently an inability to participate in a transaction under CCC's normal risk tolerance parameters.

The SME Risk Fund enables the Corporation to participate in some of these higher risk transactions, where the exposure can be quantified and a corresponding risk premium can be charged, over and above CCC's normal fee-for-service. In the future, it is planned to increase the limits of the Fund significantly, based on the Corporation's experience to date and increased equity capital.

The Financial Risk Analysis Services Unit of the Corporation regularly monitors the Corporation's risk exposure, and based on past and current transactional experience and the current domestic and foreign market environments, updates the Corporation's risk capital allocation ratios accordingly. It is management's responsibility to operate within the portfolio risk capital allocation limits established by the Board. Any exceptions to limits require specific Board approval.



Financial Statements and Notes

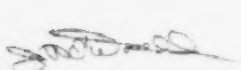
MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

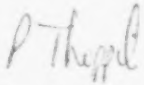
In support of its responsibility, management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions of the Corporation are in accordance with the *Financial Administration Act* and regulations and, as appropriate, the *Canadian Commercial Corporation Act*, the by-laws of the Corporation and the charter.

The Audit Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Audit Committee meets with management and the external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the financial statements in accordance with the Canadian generally accepted auditing standards, and expresses her opinion on the financial statements.



J. Hugh O'Donnell
President



Paul J. Thoppil, CA
Vice-President, Risk and Financial Services

Ottawa, Canada
May 21, 2004

Auditor General of Canada
Verificatrice generale du Canada

AUDITOR'S REPORT

To the Minister for International Trade

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 2004 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and the by-laws of the Corporation.

Douglas G. Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 21, 2004

Balance Sheet

As at March 31 (in thousands of dollars)

	04	03
ASSETS		
Cash and cash equivalents (Note 4)	$ 50,156	$ 31,063
Accounts receivable (Note 5)	193,612	233,664
Receivable from the Government of Canada	-	107
Advances to Canadian exporters	32,484	40,076
Progress payments to Canadian exporters	72,286	111,412
	348,538	416,322
Capital assets (Note 6)	2,269	2,986
	$ 350,807	$ 419,308
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	$ 186,961	$ 217,938
Advances from foreign customers	42,847	51,186
Progress payments from foreign customers	72,215	104,793
Provision for additional contract and related costs (Note 10)	7,757	3,551
	309,780	377,468
Employee future benefits (Note 8)	1,063	1,063
	310,843	378,531
Contingencies (Note 11)		
EQUITY OF CANADA		
Contributed surplus (Note 1)	28,000	28,000
Retained earnings	11,964	12,777
	39,964	40,777
	$ 350,807	$ 419,308

The accompanying notes are an integral part of the financial statements.

Approved:

A Curleigh

Chair, Board of Directors

Jean-Marc Bourbeau

Chair, Audit Committee

Statement of Operations and Retained Earnings

For the year ended March 31 (in thousands of dollars)

	04	03
REVENUES		
Commercial trading transactions (Note 12)	$ 1,121,831	$ 1,242,149
Less: Cost of commercial trading transactions	1,111,515	1,234,117
Gross margin	10,316	8,032
Net interest income	1,606	1,365
Loss on foreign exchange	(1,558)	(2,772)
Net revenues	10,364	6,625
EXPENSES		
Additional contract and related costs	5,584	2,295
Administrative expenses (Note 13)	21,867	20,854
Total expenses	27,451	23,149
Net results of operations before Parliamentary appropriation	(17,087)	(16,524)
Parliamentary appropriation (Note 15)	16,274	16,631
Net results of operations	(813)	107
Retained earnings at beginning of year	12,777	12,670
Retained earnings at end of year	$ 11,964	$ 12,777

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

For the year ended March 31 (in thousands of dollars)

	04	03
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from foreign customers	$ 1,110,658	$ 993,260
Interest received	1,606	1,365
Fees for service and other income received	10,308	7,264
Payments to Canadian exporters	(1,096,805)	(1,160,507)
Administrative payments	(21,497)	(20,485)
Cash (used in) provided by operating activities	4,270	(179,103)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	-	(1,035)
Redemptions of short-term deposits	-	101,895
Cash provided by investing activities	-	100,860
CASH FLOWS FROM FINANCING ACTIVITIES		
Parliamentary appropriation - operating	16,381	21,955
Parliamentary appropriation - contributed surplus	-	8,000
Loan repaid to the Government of Canada	-	(10,000)
Cash provided by financing activities	16,381	19,955
Effect of exchange rate changes on cash and cash equivalents	(1,558)	(2,772)
Increase (decrease) in cash and cash equivalents	19,093	(61,060)
Cash and cash equivalents at beginning of year	31,063	92,123
Cash and cash equivalents at end of year	$ 50,156	$ 31,063

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

March 31, 2004

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when foreign customers, foreign governments, international organizations, or private sector buyers, wish to purchase products and services from Canada through the Canadian Government. Contracts are made with these foreign customers and the Corporation enters into corresponding supply contracts with Canadian exporters.

Parliament has provided the Corporation with $28 million as contributed surplus. Annually, the Corporation's operations are funded primarily through a combination of parliamentary appropriations, interest income, cost recovery, fees for service and receivable discounting revenues.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A summary of significant policies follows:

(a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The most significant management estimates are the provision for additional contract costs. Actual results could differ from those estimates.

(b) Contracts

The Corporation records its commercial trading revenues, and related costs, when a delivery has taken place thus passing title to the foreign customer, or, in the case of progress payments, upon acceptance of progress billings from Canadian exporters for work performed.

Progress payments, where allowed, represent payments from foreign customers and to Canadian exporters on contracts associated with the work performed on a contract leading up to delivery. Usually these payments represent up to 75 percent of costs incurred. Since title has not yet passed to foreign customers, the Corporation recognizes the progress payments made to Canadian exporters as an asset and the progress payments received from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

Advances from foreign customers and to Canadian exporters represent a down payment made at the outset of the contract before any work has been performed.

Prior to the amendment of the *Canadian Commercial Corporation Act* on April 19, 2002, the Corporation was only allowed to recover costs directly incurred upon securing specific international contracts. Amounts recovered on international contracts signed prior to this date are recognized in commercial trading revenues as earned when:

(1) deliveries have been made by the Canadian exporter; or

(2) substantial work has been performed by the Canadian exporter in the case of progress payments.

Upon the coming into force of this amendment to the Act, the Corporation was permitted to charge commercial fees for services. Commercial fees generated on international contracts signed on or subsequent to April 19, 2002, are recognized in commercial trading revenues when services are delivered.

Discounting revenues are revenues generated by the Corporation based on the difference between the amount the Corporation pays to the Canadian exporter and the amount the Canadian exporter originally billed the Corporation.

Additional contract and related costs are costs incurred primarily as a result of Canadian exporters failing to fulfil their obligations to the Corporation and are determined on a contract-by-contract basis, together with associated legal and other costs. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average monthly exchange rate.

Working capital is maintained in currencies other than Canadian dollars to facilitate cash flows between foreign customers and Canadian exporters.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash, demand deposits and temporary investments, maturing in less than three months from acquisition date.

(e) Capital assets

Capital assets, primarily costs associated with the design and development of information systems are recorded, when significant, after technological feasibility is established. These capital assets are amortized on a straight-line basis over the estimated useful life of five years.

(f) Parliamentary appropriations

Parliamentary appropriations that are not in the nature of contributed capital are recorded as funding in the year for which they are appropriated, except as follows. Appropriations restricted by legislation and related to expenses of future periods are deferred and recognized as funding in the period in which the related expenses are incurred. Appropriations used for the purchase of capital assets are deferred and amortized on the same basis as the related asset.

(g) Employee future benefits

i) Pension benefits

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are 2.14 times the employees' contributions on account of current service on amounts of salaries below $100,000 annually. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

ii) Employee severance benefits

Employees of the Corporation are entitled to specified severance benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on sevices. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions which represent management's best long-term estimates of factors such as wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the remaining service period of active employees.

3. Fair value of financial instruments

The fair value of cash and cash equivalents, accounts receivable, receivable from the Government of Canada, advances to Canadian exporters, progress payments to Canadian exporters, accounts payable and accrued liabilities, advances from foreign customers and progress payments from foreign customers, since they have short maturities, is equivalent to their carrying amounts.

4. Cash and cash equivalents

As at March 31, 2004, cash and cash equivalents included (in thousands of dollars):

	2004		2003	
	Original currency	Canadian dollars	Original currency	Canadian dollars
Canadian dollars	37,926	$37,926	15,448	$15,448
U.S. dollars	8,599	11,277	7,035	10,326
Australian dollars	338	338	4,537	4,031
EURO			479	767
British pound sterling	167	402	164	380
Eastern Caribbean dollars	434	213	202	111
		$50,156		$31,063

The Corporation invests in short-term deposits in Canadian banks. At March 31, 2004, the average term to maturity of short-term deposits was 1 day (2003 - 3 days). The overall portfolio yield at March 31, 2004 was 1% (2003 - 2.69%). Cash and cash equivalents are recorded at cost, which approximates fair value.

Of the cash and cash equivalents, $8,740,000 (2003 - $20,007,000) represents funds received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

5. Accounts receivable and accounts payable and accrued liabilities

Accounts receivable are due on normal international trade terms and are generally non-interest bearing.

Accounts payable are due on normal trade terms, except for accounts payable to certain small-medium enterprises with contracts signed prior to January 2001. Where these contracts have not been completed, related accounts payable are paid within 15 days.

6. Capital assets

Year ended March 31 (in thousands of dollars)

	2004			2003
	Cost	Accumulated Amortization	Net book Value	Net book Value
Information systems	$3,583	$1,314	$2,269	$2,986

Included in administrative expenses was $717,000 (2003 - $597,000) of amortization.

7. Demand operating credit facility

The *Canadian Commercial Corporation Act* permits the Corporation to borrow from the Consolidated Revenue Fund or other sources for an amount not to exceed $90 million (previously $10 million). The Corporation opened a revolving credit facility providing access to funds in the amount of $40 million Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at March 31, 2004, there were no draws on this line of credit.

8. Employee future benefits

(a) Pension benefits

The Public Service Superannuation Plan requires the Corporation to contribute at a rate of 2.14 times the employees' contribution (2003 - 2.14:1) for salaries less than $100,000.

(b) Employee severance benefits

The Corporation provides severance benefits to its employees. These benefits are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. The accrued estimate benefit obligation of these benefits is $1,063,000 and is fully recorded in the books of accounts. The current year's expense for the benefits is $121,000 and the total benefits paid amounted to $177,000. The actuarial valuation of the obligation was $950,730 at March 31, 2004. The actuarial assumptions adopted in measuring the Corporation's

accrued benefits obligation were based on a 6.05% liability discount rate and rates of compensation increases of 1.5% which reflect current economic indicator, merit and promotional increases.

9. Contractual obligations and risk management

(a) Contractual obligations and indemnities

The Corporation is obligated to complete numerous contracts with foreign customers. As of March 31, 2004, the total contract portfolio value remaining to be fulfilled approximates $1.357 billion (2003 - $2.0 billion). The profile of the Corporation's total contract portfolio is as follows:

< 1 year	$919,859,000
> 1 and < 3 years	$408,637,000
> 3 and < 5 years	$ 28,610,000

The Corporation has contractual recourse to Canadian companies to fulfill its contractual obligations. Depending upon the results of its due diligence, the Corporation may supplement this recourse through the provision of commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees, and shareholder cash held in trust with the Corporation.

Under the Progress Payment Program, the Corporation indemnifies participating banks for amounts they have advanced to Canadian exporters. The Corporation may claim title to the works in progress should a Canadian exporter fail to complete a contract. The amount of outstanding indemnities as of March 31, 2004 is $1,713,000 (2003 - $11,225,000). The profile of the Corporation's outstanding indemnities is as follows:

< 1 year	$ 1,713,000

Besides claiming title to the works in progress, the Corporation may supplement this recourse depending upon the results of its due diligence through the provision of commercial securities including parent guarantees, insurance assignments, property liens, personal guarantees, and shareholder cash held in trust with the Corporation.

Under a specific series of contracts, the Corporation is also committed to repurchase certain accounts receivable from participating banks under certain conditions. The Corporation has access to a number of commercial securities should the foreign party fail to repay amounts owed to these banks. The amount of outstanding accounts receivable repurchase commitments as of March 31, 2004 is $32,725,000 (2003 - $39,470,000). The profile of the Corporation's commitments is as follows:

< 1 year	$ 29,141,000
> 1 and < 3 years	$ 3,584,000

(b) Risk management

In terms of foreign customer credit risk, the Corporation generally extends open account terms to parties with a credit rating of at least AAA, and seeks security where the rating falls below this threshold.

To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally entered into in the same currency. The Corporation uses this and other techniques to effectively transfer the currency risk to the Canadian exporter.

10. Provision for additional contract and related costs

The Corporation may incur additional contract and related costs should Canadian exporters not fulfil the terms of their contracts. The Corporation has recorded a provision of $7,757,000 as of March 31, 2004 (2003 - $3,551,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

11. Contingencies

The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs are significant, based on advice from legal counsel, management believes that the potential liabilities of the Corporation and consequent damages or awards arising from such liabilities are, at present, not determinable.

Amounts payable, if any, will be recorded in the year in which they can be determined.

During the year, a judgment was rendered against the Corporation, Public Works and Government Services Canada (PWGSC) and the Department of National Defence by the Ontario Court Superior Division for an amount of $30 million plus interest from October 1985, the date the cause of action arose. The Attorney General of Canada filed a Notice of Appeal with respect to the judgment against CCC and PWGSC. Any liability arising from this case will be split between the Corporation and PWGSC. The split cannot be determined at this time. Management believes that the potential liabilities of the Corporation and consequent damages or awards arising from such liabilities are, at present, not determinable.

12. Commercial trading transactions

Commercial trading transactions arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, which include governments, international agencies and other buyers throughout the world, were distributed as follows:

Year ended March 31 (in thousands of dollars)

	2004	2003
U.S. government and other buyers	$ 680,630	$ 943,930
Other foreign governments and buyers	441,201	282,090
United Nations agencies	-	16,129
	$1,121,831	$1,242,149

Commercial trading transactions are comprised of contract billings of $1.1 billion (2003 - $1.2 billion) and fees for service and other income of $10,316,000 for the year ended March 31, 2004 (2003 - $8,032,000).

Other income for the year ended March 31, 2004 included a $2.1 million reversal of a long outstanding liability (2003 – nil).

Commercial trading transactions are distinct from business volume which is the term used to describe the total value of contracts and amendments signed during the year. Business volume for the year ended March 31, 2004 amounted to $1.2 billion (2003 - $952 million).

13. Administrative expenses

Administrative expenses were distributed as follows:

Year ended March 31 (in thousands of dollars)

	2004	2003
Workforce compensation	$ 10,007	$ 9,273
Public Works and Government Services Canada fees for service	5,231	5,937
Software/ hardware and support	1,388	729
Travel and hospitality	1,004	1,122
Rent	949	872
Marketing and promotion	910	1,026
Amortization	717	597
Other expenses	711	499
Human resources training and other initiatives	629	451
Telecommunications, courier, translation	321	348
	$ 21,867	$ 20,854

14. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown Corporations. The Corporation enters into transactions with these entities in the normal course of business.

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management services to the Corporation at negotiated rates based in part on the amounts of contracts procured, and provides certain functions at cost.

For the year ended March 31, 2004 the cost of these services amounted to $5,231,000 (2003 - $5,937,000) and is included in administrative expenses.

In one circumstance, Public Works and Government Services Canada provides the Corporation with contract management services at no additional cost. It is not practicable to determine the cost of these services. Accordingly, the value of these services is not recorded in the Corporation's accounts.

(b) Department of Justice

The Department of Justice provides legal services to the Corporation and represents it in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions. For the year ended March 31, 2004 the cost of legal fees and expenses in the amount of $295,000 (2003 - $364,000) is included in administrative expenses, and in the amount of $347,000 (2003 - $305,000) is included in additional contract and related costs.

(c) Department of Foreign Affairs and International Trade

The Corporation has agreed to conduct the process of selecting a qualified manager to structure the Canada Investment Fund for Africa. For the year ended March 31, 2004 the revenue generated from that project was $492,000 (2003 - $224,000).

(d) Privy Council Office and Elections Canada

The Corporation allows its employees to participate in interchange employee programs with other departments or agencies. For the year ended March 31, 2004 the Corporation recovered salaries and benefits charges of $167,360 (2003 - $65,710).

As a result of all related party transactions, the amounts due from and to these parties are $570,000 (2003 - nil) and $699,000 (2003 - $651,000) and are included in accounts receivable and accounts payable respectively.

15. Parliamentary appropriations

During the year, the Parliament of Canada authorized appropriations for the Corporation in the amount of $16,274,000 (2003 - $16,631,000).

16. Lease commitments

Future minimum payments by fiscal year on operating leases for premises are as follows:

2004-2005	$ 789,000
2005-2006	396,000
	$1,185,000

CCC Directors

Alan R. Curleigh 3, 4
Chairperson of the Board
Canadian Commercial Corporation

"The better our understanding of the issues Canadian exporters face and what CCC can do to help them, the further we can develop CCC's commercial potential."

J. Hugh O'Donnell 3
President
Canadian Commercial Corporation

"CCC has to continue working diligently in implementing its corporate social responsibilities program in order to properly support Canadian exporters."

Andrew Saxton 1
Chairman
King George Financial Corporation, Vancouver, British Columbia

"We are business people who have experienced what works and what doesn't, and can use this knowledge so CCC can make the most of market opportunities for Canadian exporters."

Louis-Marie Beaulieu, FCA 1, 4
Chairman of the Board
and Chief Executive Officer, Group Desjardins Inc., Quebec City, Quebec

"The Board has an obligation to protect the Corporation from unnecessary risk by putting the proper controls in place."

David W. Stapley, CA 2, 4
President, DRS Technologies Canada Inc.
and Senior Vice President, International Business Development - Government Relations DRS Technologies Inc., Carleton Place, Ontario

"Each member has a set of values that influence our decisions, and help to ensure the Corporation's results are achieved responsibly."

1 Member of Audit Committee
2 Member of Compensation Committee
3 Member of Commercial Initiatives Committee
4 Member of Nominating Committee

Peter M. Wright, LLB 3
Chairman
Patterson Palmer Hunt Murphy, Moncton, New Brunswick

"We have to get better and better at governance. We need to keep coming to the bar and exceeding it, which I think CCC is doing."

Amelia Salehabadi, LLB 2, 4
Lawyer
Salehabadi and Associates, Montreal, Quebec

"While we've been entrusted to provide direction to the Corporation, we also need to be ambassadors and enthusiastically promote CCC at every opportunity."

John Duffy, CA 1
Chief Financial Officer
and Vice President, Finance, Neate Roller Limited, Mississauga, Ontario

"We need to have a great respect for risk assessment to accompany the strong entrepreneurial direction we are setting for CCC."

David Fransen 2, 4
Assistant Deputy Minister
Industry Sector, Industry Canada, Ottawa, Ontario

"Our challenge is to spread the scope of CCC and do it without losing sight of what has made CCC so successful."

Ken Sunquist 3
Assistant Deputy Minister
International Business and Chief Trade Commissioner, International Trade Canada, Ottawa, Ontario

"Accountability is much more important than ever, and the Government expects us to provide the necessary oversight and direction."

Grant Mitchell, CFA 1
Investment Advisor
CIBC Wood Gundy, Edmonton, Alberta

"We need to make sure CCC is well known in all of Canada and positioned to tap those markets where huge export opportunities exist."

CCC Officers

J. Hugh O'Donnell
President

"I'd like to see our team get CCC to where Canadian exporters accept us as their partner of choice."

Tamara Parschin-Rybkin, QC
Corporate Counsel and Corporate Secretary

"We strive to give the best possible advice recognizing the needs of Canadian suppliers but always ensuring the Corporation's interests are protected."

Robert Ryan
Vice President
Operations

"Making sure we move up our client's value chain, both in what we bring to the transaction and how we price that value, will be a key to our future success."

Sharon Fleming
Vice President
Corporate Services

"Our people need to be engaged and considered in our decisions, feel supported, and see how their efforts contribute to our results."

Paul J. Thoppil, CA
Vice President
Risk and Financial Services

"I'm determined to make sure we do a good job managing our money, cover our risks in export transactions, and stay true to our Corporate Plan."

CANADIAN EXPORTERS WORKING WITH CCC TO WIN A SALE OR DELIVER ON A CONTRACT

3M Canada Inc.
Brockville, Ontario
ABB Inc.
Saint-Laurent, Quebec
Accucaps Industries Limited
Windsor, Ontario
ACR Systems Inc.
Surrey, British Columbia
Acro Aerospace Inc.
Richmond, British Columbia
Active Gear Company of Canada Limited
Concord, Ontario
Acton International Inc.
Acton Vale, Quebec
Adlair Aviation Ltd. 1983
Yellowknife, Northwest Territories
Aecon Group Inc.
Scarborough, Ontario
Air Capitol Warbirds Inc. (ACWI)
Ayr, Ontario
Aircraft Appliances and Equipment Ltd.
Brampton, Ontario
Aklak Air Inc.
Inuvik, Nunavut
Alta Precision Inc.
Ville d'Anjou, Quebec
Amenaza Technologies Limited
Calgary, Alberta
Amphitech international
Laval, Quebec
Anachemia Canada Inc.
Lachine, Quebec
Anywear Apparel Incorporated
Calgary, Alberta
Applied Microsystems Limited
Sidney, British Columbia
Array Systems Computing Inc.
Toronto, Ontario
ArvinMeritor Ride Control Products Inc.
Toronto, Ontario
Atlantis Systems International Inc.
Brampton, Ontario
Atlantis-Amel Technologies Corporation
Brampton, Ontario
Babcock & Wilcox Canada Limited
Cambridge, Ontario
Ballantry Homes Inc.
Richmond Hill, Ontario
Banner Pharmacaps (Canada) Ltd.
Olds, Alberta
Battle River Asphalt Equiment Ltd.
Cut Knife, Saskatchewan
Bell Helicopter Textron Canada Limited
Mirabel, Quebec
Bombardier Inc.
Milthaven, Ontario
Bombardier Inc.
North York, Ontario
Bombardier Inc.
Mirabel, Quebec
Bradley Air Services Limited
Carp, Ontario
Bristol Aerospace Limited
Winnipeg, Manitoba
Burden's Janitorial Services Limited
Happy Valley-Goose Bay, Newfoundland and Labrador
C2 Logistics Inc.
Ottawa, Ontario
CAE Electronics Ltd.
Saint-Laurent, Quebec
CAE Inc.
Saint-Laurent, Quebec
Calian Technology Ltd.
Kanata, Ontario
Canadian Bank Note Company Ltd.
Ottawa, Ontario
Canadian Helicopters Limited
Les Cèdres, Quebec
Canadian Petroleum Institute
Edmonton, Alberta
Canarail Consultants
Montréal, Quebec
CANDESAL International Corporation
Fredericton, New Brunswick
Can-EquaTrade International Inc.
Scarborough, Ontario
Cargill Ltd.
Winnipeg, Manitoba
Cargill Ltd.
Clavet, Saskatchewan
Caribbean International Supply
Vaughan, Ontario
Carleton Life Support Technologies Ltd.
Mississauga, Ontario
Casavant Freres Ltee.
Saint-Hyacinthe, Quebec
Cascade Aerospace Inc.
Abbotsford, British Columbia
Cayenta Canada Inc.
Vancouver, British Columbia
Cercast Incorporated
Laval, Quebec
Certicom Corporation
Mississauga, Ontario
Chaichem Pharmaceuticals International
Laval, Quebec
Chemac Industries Inc.
Vernon, British Columbia
CMC Electronics Inc.
Kanata, Ontario
CMC Electronics Inc.
Saint-Laurent, Quebec
Communications & Power Industries Canada Inc.
Georgetown, Ontario
Comprehensive Care International
Toronto, Ontario
Conair Aviation Ltd.
Abbotsford, British Columbia
Corporate Mentoring Solutions Inc.
Saanichton, British Columbia
Courtage Forestier C.B. Inc. (CFCB)
Buckland, Quebec
CPAS Systems
Toronto, Ontario
Crown Industries Inc.
Calgary, Alberta
CSI Gear Corporation
Brampton, Ontario
CTF Systems (2001) Inc.
Port Coquitlam, British Columbia
Custom Window & Doors Millworks
Salmon Arm, British Columbia
CYMC Corp.
Concord, Ontario
DAC Aviation International Ltd.
Montreal, Quebec
Davnor Water Treatment Technologies Ltd.
Calgary, Alberta
Dell Point Technologie
Blainville, Quebec
Department of National Defence
Ottawa, Ontario
Dessau-Soprin Can-American Inc.
Laval, Quebec
Dessau-Soprin International Inc.
Laval, Quebec
Diagnos inc.
Brossard, Quebec
Dieco Technologies Limited
Brampton, Ontario
Diemaco Inc.
Kitchener, Ontario
Donlee Precision
Toronto, Ontario
DRS Technologies
Carleton Place, Ontario
DuponTrolley Industries Inc.
Quebec City, Quebec
DY 4 Systems Inc.
Kanata, Ontario
Eagle-Picher Energy Products Corporation
Surrey, British Columbia
Eclipse Technologies Inc.
Nanaimo, British Columbia
Eco Logic Chemical Technologies Inc.
Rockwood, Ontario
ELCAN Optical Technologies
Midland, Ontario
Enghouse Systems Limited
Markham, Ontario
Envirogreen Technologies Ltd.
Burnaby, British Columbia
Environmental Waste International Inc.
Ajax, Ontario
Excalibur Systems Limited
Kanata, Ontario
Expro Technologies Inc.
Salaberry-De-Valleyfield, Quebec
FAG Bearings Limited
Stratford, Ontario
Falcon Concentrators Inc.
Langley, British Columbia
Father Alfalfa Ltd.
Father, Alberta
FELLFAB Limited
Hamilton, Ontario
Fiber Connections Inc.
Summerside, Prince Edward Island
Field Aviation Company Inc.
Mississauga, Ontario
Field Aviation Sales Ltd.
Toronto, Ontario
First Air
Carp, Ontario
Flight Fuels Inc.
Edmonton, Alberta
Forest Technology Systems Limited
Victoria, British Columbia
Galax Inc.
Montreal, Quebec
GasMaster Industries Inc.
Vancouver, British Columbia
GasTOPS Ltd.
Gloucester, Ontario
General Dynamics Canada Ltd.
Calgary, Alberta
General Dynamics Canada Ltd.
Nepean, Ontario
General Dynamics Land Systems - Canada Corporation
London, Ontario
General Kinetics Engineering Corporation
Brampton, Ontario
General Motors of Canada Limited
London, Ontario
General Switchgear & Controls Ltd.
Vaughan, Ontario
Genix Technology
Vancouver, British Columbia
GenTex Oilfield Manufacturing Inc.
Red Deer, Alberta
Geomax International Inc.
Brossard, Quebec
Gladwin Farms Ltd.
Abbotsford, British Columbia
Global Development Group
Ottawa, Ontario
GMAC Financial Services
Halifax, Nova Scotia
Goodrich Control Systems Ltd.
Montreal, Quebec
Goodrich Landing Gear Services
Burlington, Ontario
Goodrich Landing Gear Services
Oakville, Ontario
GPEC International Ltd.
Ottawa, Ontario
Grant Systems Engineering Inc.
King City, Ontario
GREENSOLV Inc.
Baie d'Urfe, Quebec

Groupe Chagnon Ltée
Varennes, Quebec
Groupe Hauts-Monts
Montréal, Quebec
Heimann Systems Inc.
Laval, Quebec
Hermes Electronics Inc.
Dartmouth, Nova Scotia
Heron Technology Corporation
Markham, Ontario
Héroux-Devtek Inc.
Longueuil, Quebec
Hewlett-Packard (Canada) Limited
Mississauga, Ontario
Honeywell Aerospatiale Inc.
St. Laurent, Quebec
Honeywell ASCa Inc.
Mississauga, Ontario
Horton Automation Inc.
Burnaby, British Columbia
Hurley Slate Works Company Inc.
Conception Bay South, Newfoundland and Labrador
ICN Canada Ltd.
Montréal, Quebec
Idelix Software Inc.
Vancouver, British Columbia
Imexcom International Trading inc.
Ville St-laurent, Quebec
IMP Group Limited
Halifax, Nova Scotia
IMP Group Limited
Hammonds Plains, Nova Scotia
IMP Group Limited
Enfield, Nova Scotia
IMT Corporation
Ingersoll, Ontario
IMW Industries Ltd.
Chilliwack, British Columbia
Indal Technologies Inc.
Mississauga, Ontario
Industrial Rubber Company Ltd.
Bathurst, New Brunswick
Informatique DBD
Laval, Quebec
Infosat Telecommunications
Ottawa, Ontario
Innovated Control Systems
Bancroft, Ontario
Intelcan Technosystems Inc.
Nepean, Ontario
Interactive Visualization Systems Inc.
Fredericton, New Brunswick
International Civil Aviation Organization
Montréal, Quebec
International Datacasting Corporation
Ottawa, Ontario
JJM Construction Ltd.
Delta, British Columbia
Johnson Controls Ltd.
St. Johns, Newfoundland and Labrador
Kasten Chase Applied Research Limited
Mississauga, Ontario
Kaval Wireless Technologies Inc.
Markham, Ontario
KCO Unisson Metal Products and Metdor
Montreal Nord, Quebec
Ker-Train Research Inc.
Kingston, Ontario
Klondike Kidstuff Inc.
Langley, British Columbia
Koss Machine and Tool Company
Brampton, Ontario
Lab 7 Networks Inc.
Nepean, Ontario
Labrador Airways Limited
Happy Valley-Goose Bay, Newfoundland and Labrador
Labrador Motors Ltd.
Happy Valley-Goose Bay, Newfoundland and Labrador
Lab-Volt Quebec Limited
Charlesbourg, Quebec
Lakes Environmental Consultants Inc.
Waterloo, Ontario
Lambert Somec
Québec City, Quebec
Le Groupe Infotel Inc.
Longueuil, Quebec
Leader Fan Industries Limited
Etobicoke, Ontario
Les Entreprises Albert Cloutier Ltée.
St. Raymond, Quebec
Les Tricots Bozart Knitting Mills Ltd./Ltée
St. Léonard, Quebec
Liftking Industries Inc.
Woodbridge, Ontario
LIOH Inc.
Mont Royal, Quebec
Lloyd-Werring Enterprises Inc.
Ottawa, Ontario
Lockheed Martin Canada Inc.
Kanata, Ontario
Lunny Communications Group Inc.
Vancouver, British Columbia
Luxell Technologies Inc.
Mississauga, Ontario
MacDonald Dettwiler and Associates Ltd.
Richmond, British Columbia
MacDonald Dettwiler Space and Advanced Robotics Ltd.
Brampton, Ontario
Magellan Aerospace Corporation
Mississauga, Ontario
Magneto-Inductive Systems Limited
Head of Jeddore, Nova Scotia
Magnum Integrated Technologies Inc.
Brampton, Ontario
Magtron
Scarborough, Ontario
Mandate Erectors & Welding Ltd.
Big River, New Brunswick
Manufacturier Minier CMAC
Val d'Or, Quebec
Marathon Watch Company Limited
Richmond Hill, Ontario
MDS Aero Support Corporation
Saint-Laurent, Quebec
MDS Aero Support Corporation
Ottawa, Ontario
Mecair Aerospace Industries Inc.
Pointe-Claire, Quebec
Mechtronix Systems Inc.
Saint-Laurent, Quebec
Med-Eng Systems Inc.
Ottawa, Ontario
Messier-Dowty Inc.
Ajax, Ontario
MetalCraft Marine Inc.
Kingston, Ontario
Metasolv Software Canada Inc.
Montréal, Quebec
Mineral Processing Equipment International Inc.
Burlington, Ontario
Mist Mobility Integrated Systems Technology Inc.
Nepean, Ontario
Mitrade International Inc.
Montréal, Quebec
MTU Maintenance Canada Ltd.
Richmond, British Columbia
MultiCorpora R&D Inc.
Gatineau, Quebec
Nasittuq Corporation
Ottawa, Ontario
Natural Resources Canada
Ottawa, Ontario
Nav-Aids Limited
Montréal, Quebec
Navigation Aeronav International Inc.
Pointe-Claire, Quebec
NDT Technologies Inc.
Baie d'Urfé, Quebec
Neptec Design Group Limited
Kanata, Ontario
Nordic Systems Inc.
Mississauga, Ontario
Northern Transportation Co. Ltd.
Hay River, Northwest Territories
Northrop Grumman Canada Corporation
Etobicoke, Ontario
Northstar Aerospace (Canada) Inc.
Milton, Ontario
Novalis
Halifax, Nova Scotia
Obzerv Technologies Inc.
Québec City, Quebec
OceanWorks International Corporation
North Vancouver, British Columbia
Oculus Info Inc.
Toronto, Ontario
Odan Laboratories
Pointe-Claire, Quebec
O'Dell Engineering Ltd.
Cambridge, Ontario
ODIM Spectrum Ltd.
Peterborough, Ontario
Ontira Communications
Vancouver, British Columbia
Optech Inc. North York
North York, Ontario
Orenda Aerospace Corporation
Mississauga, Ontario
Orgues Létourneau Ltée.
Saint-Hyacinthe, Quebec
O-Two Systems International Inc.
Mississauga, Ontario
OZA Inspections Ltd.
Grimsby, Ontario
Paco Corp.
Saint-Hubert, Quebec
Panalpina Inc.
Montréal, Quebec
Paradigm Shift Technologies Inc.
Richmond Hill, Ontario
Patriot Forge Inc.
Brantford, Ontario
Pavac Technology Inc.
Richmond, British Columbia
Petro Sep Membrane Technologies Inc.
Oakville, Ontario
Pharmalab (1982) Inc.
Lévis, Quebec
Pharmascience Inc.
Montréal, Quebec
Phoenix Geophysics Ltd.
Scarborough, Ontario
Plaintree Systems
Arnprior, Ontario
Plastik OK Inc.
Montréal, Quebec
Poly Fabrics Ltd.
Calgary, Alberta
Poly-Pacific International Inc.
Edmonton, Alberta
PoparSat Inc.
Kirkland, Quebec
Positron Public Safety Systems Inc.
Montréal, Quebec
Pratt & Whitney Canada Inc.
Longueuil, Quebec
Precision-Tech Limited
Cambridge, Ontario
Proceco Ltd.
Montréal, Quebec
Produits integres Avior inc.
Laval, Quebec
Professional Machine Service
Markham, Ontario
Pro-Safe Fire Training Systems Inc.
Nobel, Ontario
Protocol Resource Management Inc.
Aurora, Ontario
Public Works and Government Services Canada
Hull, Quebec

Purifics ES Inc.
London, Ontario
PyroGenesis Inc.
Montréal, Quebec
Quester Tangent Corporation
Sidney, British Columbia
RDP Marathon Inc.
Laval, Quebec
Refrigerative Supply
Burnaby, British Columbia
Regor Inc.
Montréal, Quebec
Research In Motion Limited
Waterloo, Ontario
Robotsearch Software Inc.
Kanata, Ontario
Rolls-Royce Canada Limited
Lachine, Quebec
Roma Caribbean Hotels & Restaurants Supply (Can) Ltd.
Scarborough, Ontario
Satlantic Inc.
Halifax, Nova Scotia
Scepter Corporation
Scarborough, Ontario
Schreiner Target Services Canada Ltd.
Medicine Hat, Alberta
Scintrex Trace Corp.
Ottawa, Ontario
Seaforth Engineering Group Inc.
Dartmouth, Nova Scotia
SED Systems Inc.
Saskatoon, Saskatchewan
Sentinel Canada
Montréal, Quebec
Sentinel Lubricant Corporation
Montréal, Quebec
Seprotech Systems Incorporated
Ottawa, Ontario
Serco Facilities Management Inc.
Happy Valley-Goose Bay, Newfoundland and Labrador
Shej Global Developments Incorporated
Mississauga, Ontario
SilverLeaf Materials Inc.
Calgary, Alberta
Simunition
Le Gardeur, Quebec
Sky Hunter Exploration Ltd.
Calgary, Alberta
SNC Lavalin Inc.
Montréal, Quebec
SNC Technologies Inc.
Le Gardeur, Quebec
SNC-Lavalin International Inc.
Montréal, Quebec
Soheil Mosun Ltd.
Toronto, Ontario
Soucy International Inc.
Drummondville, Quebec
Soucy Techno Inc.
Roch Forest, Quebec
Spar Aerospace Limited
Mississauga, Ontario
Sparton of Canada Limited
London, Ontario
Standard Aero Ltd.
Winnipeg, Manitoba
Stantec Consulting Ltd.
Edmonton, Alberta
Swiftsure Spatial Systems Inc.
Victoria, British Columbia
TA MA SU Seal Products Inc.
Ste-Foy, Quebec
Technologie Premiair Inc.
Saint-Laurent, Quebec
Tecmotiv Corporation
Concord, Ontario
Tecnar Automation Ltée
St-Bruno, Quebec
Teleflex Canada Limited Partnership
Richmond, British Columbia
TeraXion Inc.
Ste-Foy, Quebec
The Micronutrient Initiative
Ottawa, Ontario
Thermo Design Engineering Ltd.
Edmonton, Alberta
Thermotex Therapy Systems Ltd.
Calgary,vAlberta
Tokmakjian Limited
Milton, Ontario
Tokmakjian Limited
Concord, Ontario
TransMedico Inc.
Montreal, Quebec
Travelinx Inc.
Toronto, Ontario
Ultra Electronics Tactical Communication Systems Inc.
Ville Saint-Laurent, Quebec
Unique Broadband Systems Inc.
Concord, Ontario
Unique Solutions Design Ltd.
Dartmouth, Nova Scotia
Uni-ram Corporation
Markham, Ontario
United Tri Tech Corporation
Cornwall, Ontario
Unitron Industries Ltd.
Kitchener, Ontario
University of Calgary
Calgary, Alberta
University of Waterloo
Waterloo, Ontario
Unlimited Housing World Inc.
Brossard, Quebec
Valcom Ltd.
Guelph, Ontario
Valcura International Assessment Solutions Ltd.
Edmonton, Alberta
Vanguard Response Systems Inc.
Stoney Creek, Ontario
Ventax Robot Inc.
Ayr, Ontario
Veriteq Instruments Inc.
Richmond, British Columbia
Vetements Stenis Inc.
Le Gardeur, Quebec
Vulkan Harex Steelfiber (North America) Inc.
Brantford, Ontario
Wajax Industries Limited
Mississauga, Ontario
Weatherhaven
Burnaby, British Columbia
Wescam Inc.
Burlington, Ontario
Wiebel Aerospace (1995) Inc.
Summerside, Prince Edward Island
Wire Rope Industries Ltd.
Pointe-Claire, Quebec
Woodward Group of Companies
Goose Bay, Newfoundland and Labrador
Woodward's Oil limited
Happy Valley-Goose Bay, Newfoundland and Labrador
Wright Environmental Management Inc.
Richmond Hill, Ontario
YottaYotta Inc.
Edmonton, Alberta
Zi Corporation
Calgary, Alberta

GLOSSARY

Additional contract costs:
Costs incurred by the Corporation to meet its contractual obligations to foreign buyers when suppliers are unable to meet their contractual commitment to CCC. This may include the cost of reprocurement or the cost of compensation.

Advance payments:
Down payment made by the buyer at the outset of the contract, before any work has been performed.

Appropriations:
Funding CCC receives from the Government of Canada to manage DoD/NASA Prime Contracts.

Business volume:
Total value of contracts and amendments signed by the Corporation during the fiscal year with respect to export transactions to foreign buyers.

Capital projects:
A project where a significant portion of the work is performed by a Canadian exporter, or by its subcontractor, in a foreign country and/or the contract contains a significant supply risk associated with the long-term sale of commodities.

Clients:
Canadian exporters doing business through CCC.

Contract:
Legally binding agreement between the Corporation and Canadian exporters or foreign buyers, with respect to the supply of a product and/or service.

Contract amendment:
Variation to the original signed contract.

Contract billings:
The total amount the Corporation invoiced to foreign customers for the delivery of products and services.

Contract performance guarantee:
An assurance provided to the foreign buyer that CCC, as an agency of the Government of Canada, will perform the contract in accordance with its terms and conditions.

Contract risk:
Possibility that a party to the contract may not meet the terms and conditions of the contract.

Cost recovery:
Direct costs, such as travel expense and direct labour costs, recovered by the Corporation on a number of contracts.

Credit risk:
Possibility of a contract party failing to meet its financial/payment commitments.

Customers:
Foreign buyers doing business through CCC.

Defence Production Sharing Arrangement (DPSA):
Agreement signed in 1956 between Canada and the United States to allow Canadian industry to compete with U.S. firms for defence contracts on a commercial basis.

Directly facilitated exports:
The value of effective contracts and amendments signed by CCC through its Prime Contractor and Progress Payment Program services. It is different from Business volume as it excludes contracts with suppliers outside of Canada.

Fee-for-service:
Direct and indirect costs including risk premium and appropriate service fees charged to Canadian exporters or foreign buyers using CCC services.

Gain/Loss on foreign exchange translation:
Gain/loss resulting from the movement in the exchange rate, which affects the Canadian value of the Corporation's foreign exchange holdings.

Indirectly facilitated exports:
The value of export contracts and amendments signed by Canadian companies whereby CCC's unbundled services, SourceCAN, and the DPSA project management service were accessed in order to win the contract or amendment.

Pre-shipment financing:
Financing required to cover direct costs incurred on a project at a stage before the exporter has generated a receivable.

Prime contractor:
CCC signs the international contract with the customer, guaranteeing that its terms and conditions will be met, and then issues a domestic contract to the Canadian supplier for the execution of the work.

Procurement agent:
CCC sources Canadian supply for international customers from Canadian companies.

Progress payments:
Payments from foreign customers to Canadian exporters on contracts where the partial recoupment of costs associated with the work performed on a contract leading up to delivery is allowed.

Risk management framework:
CCC's Risk Management Framework combines the Board of Directors' directive on annual allowable losses and management's policies and practices related to operational risk mitigation.

Receivables discounting service:
Receivables Discounting Service provides to Canadian companies having contracts with CCC, access to immediate payments for their invoices at a reasonable financing rate. This allows these companies to meet their financial obligations without increasing their debt.

Small- and medium-sized enterprises (SMEs):
Canadian entities with annual sales of less than $25 million.

Unbundled services:
The International Prime Contractor service has been broken apart to allow Canadian exporters to build a customized service package that meets their needs.

Picture front cover:
Sue Elgar, Risk and Financial Services
Recipient of 2003-2004 Outstanding Corporate Achievement Award

From left to right, Top row: **Margaret Rioux**, Information Services; **Philippe Bois**, Structured Programs and Trade Financing; **Christine O'Connor**, Information Services; **Alex Papadakis**, Market Opportunities Development
Second row: **James Kelly**, Team America; **Maria Pacheco**, Global Aerospace and Defence; **Francine Villeneuve**, Corporate Services; **Denis Carriere**, Risk and Financial Services
Third row: **Sue Elgar**, Risk and Financial Services; **Nick Karadimitriou**, Risk and Financial Services; **Terry Scott**, Market Opportunities Development; **William Hanes**, Risk and Financial Services
Fourth row: **Julie Pariseau**, Communications and Stakeholder Relations; **Daniel Barona**, Structured Programs and Trade Financing; **Annie Després**, Team America
Bottom row: **Pierre Senécal**, Structured Programs and Trade Financing; **Victoria MacKenzie**, Global Aerospace and Defence; **Majeed Mandayappurath**, Team America; **Marie-Josée Guy**, Structured Programs and Trade Financing

OUR OFFICES

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Tel: (613) 996-0034
Fax: (613) 995-2121
Toll-free in Canada (800) 748-8191
www.ccc.ca

REGIONAL CONTACTS

Ted Benson
Manager
British Columbia and Alberta Liaison Office
2000 - 300 West Georgia Street
Vancouver, BC V6B 6E1
Tel: (604) 666-4781
Fax: (604) 666-0954
E-mail: benson.ted@ic.gc.ca

Angela Wasylynka
Specialist, International Finance
Saskatchewan Trade and Export Partnership (STEP)
320 - 1801 Hamilton Street
Regina, SK S4P 3C6
Tel: (306) 787-3972
Fax: (306) 787-6666
E-mail: awasylynka@sasktrade.sk.ca

Ian Brown
Manager
Ontario Liaison Office
151 Yonge St., 4th Floor
Toronto, ON M5C 2W7
Tel: (416) 973-5081
Fax: (416) 973-5131
E-mail: brown.ian@ic.gc.ca

Paule Mathieu
Manager
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